

**CITY OF MARIETTA  
WASHINGTON COUNTY  
Single Audit  
For the Year Ended December 31, 2013**

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





# Dave Yost • Auditor of State

City Council  
City of Marietta  
308 Putnam Street  
Marietta, OH 45750

We have reviewed the *Independent Auditor's Report* of the City of Marietta, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 27, 2014

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**City of Marietta, Ohio**  
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# *Perry & Associates*

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## **INDEPENDENT AUDITOR'S REPORT**

September 30, 2014

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

To the Members of 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio, as of December 31, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street and Community Development Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***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*, 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 provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic 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 this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures 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 September 30, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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The discussion and analysis of the City of Marietta's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. 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 2013 are as follows:

- In total, net position increased \$1,882,538. Net position of governmental activities increased \$1,613,667. The business-type activities also increased \$268,871.
- General governmental revenues accounted for \$11,379,258 in revenue or 56% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,948,808 or 44% of total government-wide revenues of \$20,328,066.

### **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 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
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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 15. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Marietta, our major funds are the General Fund; the Street and Community Development Special Revenue Funds; the Capital Improvement Capital Projects Fund; and the Sewer and Water Enterprise Funds.

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

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

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**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 2013 compared to 2012.

(Table 1)  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and Other Assets	\$ 10,463,802	\$ 10,496,521	\$ 8,780,017	\$ 7,945,934	\$ 19,243,819	\$ 18,442,455
Capital Assets, Net	30,236,583	27,288,563	20,262,913	15,274,193	50,499,496	42,562,756
<i>Total Assets</i>	<u>\$ 40,700,385</u>	<u>\$ 37,785,084</u>	<u>\$ 29,042,930</u>	<u>\$ 23,220,127</u>	<u>\$ 69,743,315</u>	<u>\$ 61,005,211</u>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	\$ -	\$ -	\$ -	\$ 136,004	\$ -	\$ 136,004
<b>Liabilities</b>						
Current and Other Liabilities	\$ 2,514,466	\$ 2,767,171	\$ 1,629,504	\$ 1,450,474	\$ 4,143,970	\$ 4,217,645
Long-term Liabilities						
Due Within One Year	100,057	126,507	557,053	405,292	657,110	531,799
Due in More Than One Year	5,885,538	4,327,528	15,390,807	10,303,670	21,276,345	14,631,198
<i>Total Liabilities</i>	<u>\$ 8,500,061</u>	<u>\$ 7,221,206</u>	<u>\$ 17,577,364</u>	<u>\$ 12,159,436</u>	<u>\$ 26,077,425</u>	<u>\$ 19,380,642</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	\$ 497,050	\$ 474,271	\$ -	\$ -	\$ 497,050	\$ 474,271
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 25,769,825	\$ 22,644,352	\$ 4,917,720	\$ 5,503,197	\$ 30,687,545	\$ 28,147,549
Restricted:						
Street	670,056	917,817	-	-	670,056	917,817
Cemetery	10,994	27	-	-	10,994	27
Community Development	858,205	854,323	-	-	858,205	854,323
Fire Operations	192,317	136,845	-	-	192,317	136,845
Police Operations	196,554	43,764	-	-	196,554	43,764
Court Operations	245,005	243,848	-	-	245,005	243,848
Recreation	1	806,928	-	-	1	806,928
Health	132,073	104,837	-	-	132,073	104,837
Debt Service	-	-	-	24,583	-	24,583
Capital Projects	2,161,956	2,492,297	-	-	2,161,956	2,492,297
Perpetual Care:						
Expendable	2,589	2,589	-	-	2,589	2,589
Non-expendable	454,303	448,978	-	-	454,303	448,978
Park Non-expendable Trust	750	750	-	-	750	750
Unclaimed Monies	14,569	13,809	-	-	14,569	13,809
Other Purposes	21,927	159,271	-	-	21,927	159,271
Unrestricted	972,150	1,219,172	6,547,846	5,668,915	7,519,996	6,888,087
<i>Total Net Position</i>	<u>\$ 31,703,274</u>	<u>\$ 30,089,607</u>	<u>\$ 11,465,566</u>	<u>\$ 11,196,695</u>	<u>\$ 43,168,840</u>	<u>\$ 41,286,302</u>

Total assets increased \$8,738,104. Governmental activities increased \$2,915,301, as well as the business-type activities by \$5,822,803. Total liabilities increased \$6,696,783. Governmental activities increased \$1,278,855 along with the business-type activities of \$5,417,928.

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For governmental activities, equity in pooled cash and cash equivalents increased \$1,258,113 due mainly from the note proceeds for the City Hall renovations. Capital assets net of accumulated depreciation also increased \$2,948,020. These increases were offset by decreases in payments in lieu of taxes (PILOT) receivable of \$183,575, in intergovernmental receivables of \$833,295, and income tax receivable of \$252,620. There were two agreements creating PILOT receivables in 2012. During 2013, the City received the last PILOT payment for one of those. The following grants recorded a receivable in 2012 but didn't in 2013: Community Development Block Grant for \$389,993, Federal Transit Administration Grant for \$321,860, Economic Development Initiative Grant for \$149,115, Federal Emergency Management Agency reimbursements for \$128,575, and Rural Business Enterprise Grant for \$98,848. Many other grants and intergovernmental revenues experienced small increases and decreases; however, the Community Housing Improvement Program recorded an increased receivable of \$219,396. Current liabilities decreased \$252,705 mainly from decreases in intergovernmental payables of \$165,924 and notes payable of \$258,500. These were offset by an increase in vacation and compensatory benefits payable of \$98,329 and other small increases in other remaining liabilities. Long-term liabilities increased \$1,531,560 due to the issuance of more notes for the City Hall renovations.

For business-type activities, total assets increased \$5,822,803. Equity in pooled cash and cash equivalents increased \$573,044, accounts receivable increased \$214,246, and capital assets also increased \$4,988,720. Due to the refunding of debt, the deferred charge on refunding was eliminated. Current liabilities increased \$179,929 as most categories reported small increases and decreases. Most notably, contracts payable increased \$122,687 and notes payable increased \$84,000. Long-term liabilities increased \$5,238,898 due mainly from the issuance of OWDA loans for the waste water treatment plant upgrade. The Sewer OWDA loans liability increased \$4,841,082.

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Table 2 shows the changes in net position for the year ended December 31, 2013, and comparisons to 2012.

(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 3,350,273	\$ 3,138,981	\$ 6,586,943	\$ 5,914,483	\$ 9,937,216	\$ 9,053,464
Operating Grants, Contributions and Interest	3,548,051	3,741,136	-	-	3,548,051	3,741,136
Capital Grants and Contributions	2,050,484	2,103,342	66,422	411,534	2,116,906	2,514,876
<b>Total Program Revenues</b>	<b>8,948,808</b>	<b>8,983,459</b>	<b>6,653,365</b>	<b>6,326,017</b>	<b>15,602,173</b>	<b>15,309,476</b>
General Revenues						
Property Taxes	520,901	523,625	-	-	520,901	523,625
Hotel Tax	448,582	427,948	-	-	448,582	427,948
Income Tax	9,022,485	8,650,983	-	-	9,022,485	8,650,983
Payments in Lieu of Taxes	100,187	373,630	-	-	100,187	373,630
Franchise Taxes	214,054	215,018	-	-	214,054	215,018
Grants and Entitlements	679,267	875,939	-	-	679,267	875,939
Gain on Sale of Capital Assets	37,904	-	19,000	-	56,904	-
Investment Earnings	62,554	56,672	72,164	20,645	134,718	77,317
Insurance Recoveries	3,300	-	-	-	3,300	-
Other	290,024	80,957	66,442	85,787	356,466	166,744
<b>Total General Revenues</b>	<b>11,379,258</b>	<b>11,204,772</b>	<b>157,606</b>	<b>106,432</b>	<b>11,536,864</b>	<b>11,311,204</b>
<b>Total Revenues</b>	<b>20,328,066</b>	<b>20,188,231</b>	<b>6,810,971</b>	<b>6,432,449</b>	<b>27,139,037</b>	<b>26,620,680</b>
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	3,948,401	4,132,724	-	-	3,948,401	4,132,724
Court	1,077,172	1,075,728	-	-	1,077,172	1,075,728
Security of Persons and Property:						
Police	3,521,412	3,345,126	-	-	3,521,412	3,345,126
Fire	3,614,298	3,490,053	-	-	3,614,298	3,490,053
Public Health Services	901,626	859,329	-	-	901,626	859,329
Community Environment	514,608	433,311	-	-	514,608	433,311
Intergovernmental	1,861,814	1,935,768	-	-	1,861,814	1,935,768
Street	2,580,991	3,642,831	-	-	2,580,991	3,642,831
Transportation	10,653	1,844	-	-	10,653	1,844
Leisure Time Activities	605,056	617,402	-	-	605,056	617,402
Interest and Fiscal Charges	78,368	86,772	-	-	78,368	86,772
Sewer	-	-	2,925,372	2,903,454	2,925,372	2,903,454
Water	-	-	3,616,728	3,101,463	3,616,728	3,101,463
<b>Total Program Expenses</b>	<b>18,714,399</b>	<b>19,620,888</b>	<b>6,542,100</b>	<b>6,004,917</b>	<b>25,256,499</b>	<b>25,625,805</b>
<b>Increase in Net Position</b>	<b>1,613,667</b>	<b>567,343</b>	<b>268,871</b>	<b>427,532</b>	<b>1,882,538</b>	<b>994,875</b>
Net Position Beginning of Year	30,089,607	29,522,264	11,196,695	10,769,163	41,286,302	40,291,427
<b>Net Position End of Year</b>	<b>\$ 31,703,274</b>	<b>\$ 30,089,607</b>	<b>\$ 11,465,566</b>	<b>\$ 11,196,695</b>	<b>\$ 43,168,840</b>	<b>\$ 41,286,302</b>

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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***Governmental Activities***

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. Incomes taxes reported an increase of \$371,502 for 2013. The income tax rate is 1.7 percent. General revenues from grants and entitlements such as local government funding, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 44 and 31 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 63 percent of all program revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage, the better in regards to independence.

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

Security of persons and property is another major activity of the City, generating 38% of the governmental expenses. During 2013, expenses for police and fire operations amounted to \$3,521,412 and \$3,614,298, respectively. Expenses in these programs increased \$300,531 from 2012. 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 14% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2013 amounted to \$2,580,991, a decrease of \$1,061,840 from 2012.

***Business-Type Activities***

The City's business-type activities consist of the sewer and water departments. During 2013, the City collected \$672,460 more in charges for services over the previous year and also spent \$537,183 more.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,978,398 and expenditures of \$21,856,544.

The fund balance of the General Fund decreased \$163,353. The General Fund's Unassigned Fund Balance of \$1,399,368 represented 13% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund decreased \$54,727. The Street Fund's Restricted Fund Balance of \$187,843 represented 5% of current year expenditures.

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The fund balance of the Community Development Fund decreased \$62,576. The Community Development Fund had a restricted fund balance of \$263,893 at year end. This fund accounts for federal grant monies under the Community Development Block Grant program for projects to improve the community within the City.

The fund balance of the Capital Improvement Fund increased \$1,208,801. The Fund has a restricted fund balance of \$2,276,993.

During 2013, the Sewer Fund had operating revenues of \$3,295,084 and operating expenses of \$2,790,411. The Water Fund had operating revenues of \$3,358,301 and operating expenses of \$3,173,225. The major operating expenses for these funds are salaries and wages, contractual services, and depreciation on capital assets.

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

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

During the course of 2013, 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 \$566,376. Charges for services, intergovernmental revenues, donations, and other revenues were increased. The original appropriations were increased \$556,162. All programs were increased except debt service.

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 2013. Table 3 shows year 2013 balances compared to 2012.

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(Table 3)  
 Capital Assets, Net at December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,231,784	\$ 1,231,784	\$ 447,100	\$ 447,100	\$ 1,678,884	\$ 1,678,884
Buildings and Improvements	10,343,157	10,581,479	111,655	118,000	10,454,812	10,699,479
Machinery and Equipment	1,295,796	1,170,868	138,365	143,442	1,434,161	1,314,310
Vehicles	1,570,297	1,331,015	116,972	104,997	1,687,269	1,436,012
Infrastructure	9,089,399	9,695,763	8,533,604	9,079,348	17,623,003	18,775,111
Construction in Progress	6,706,150	3,277,654	10,915,217	5,381,306	17,621,367	8,658,960
<b>Totals</b>	<b>\$ 30,236,583</b>	<b>\$ 27,288,563</b>	<b>\$ 20,262,913</b>	<b>\$ 15,274,193</b>	<b>\$ 50,499,496</b>	<b>\$ 42,562,756</b>

***Debt***

The City's overall debt limit at December 31, 2013, is \$25,947,422. Additional information on the City's debt can be found in Notes 17 and 18 of this report. Table 4 below is a summary of the City's debt obligations:

(Table 4)  
 Outstanding Debt at December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
2000 Parking Lot Bonds	\$ 91,500	\$ 101,500	\$ -	\$ -
1999 Third Street Paving OPWC Loan	9,774	29,033	-	-
Capital Facilities Bond				
Anticipation Notes:				
Short-term	180,000	438,500	-	-
Long-term	4,890,000	3,240,000	-	-
Water Bond Anticipation Notes:				
Short-term	-	-	561,000	213,000
Long-term	-	-	2,104,000	1,611,000
Sewer Bond Anticipation Notes:				
Short-term	-	-	59,000	323,000
Long-term	-	-	984,000	803,000
Energy Conservation Loan	243,700	300,700	-	-
2003 Water Refunding Bonds	-	-	-	3,105,511
2013 Water Refunding Bonds	-	-	2,893,212	-
2013 Sewer OWDA Loan	-	-	3,510,793	-
2012 Sewer OWDA Loan	-	-	130,079	-
2011 Sewer OWDA Loan	-	-	5,325,475	4,102,899
2002 Sewer OWDA Loan	-	-	261,546	283,912
1996 Water OPWC Loan	-	-	80,000	100,000
2004 Water OPWC Loan	-	-	298,998	321,908
2000 Sewer OPWC Loan	-	-	206,650	230,244
<b>Totals</b>	<b>\$ 5,414,974</b>	<b>\$ 4,109,733</b>	<b>\$ 16,414,753</b>	<b>\$ 11,094,474</b>

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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**Current Financial Issues**

The City is facing financial pressures like many other forms of government. Our costs are mostly personnel and will comprise over 82% of the General Fund expenditures. The yearly increase in projected personnel costs are projected at nearly 2.5% of current General Fund appropriations.

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

Income tax revenues have increased in 2013, as they have for the past two years. Income tax revenues comprise nearly 61% of the total revenue for the General Fund and over 44% of governmental activities revenues.

Measures have been taken to stabilize the General Fund and increase the contribution from other funds to the General Fund. These are being more fully implemented based on previous cost allocation studies such as the Maximus Study completed in 2007 and other internal studies of time and materials spent on the production of goods and services to other funds. The main consumers of General Fund resources are the Water and Sewer Enterprise Funds and the Street Special Revenue Fund. For example, much of the engineering department's time and effort (which is funded through the General Fund) is spent for street projects.

**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, 308 Putnam Street, Marietta, Ohio 45750, 740-373-0473.

**City of Marietta, Ohio**  
*Statement of Net Position*  
*December 31, 2013*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,456,967	\$ 7,088,954	\$ 13,545,921
Cash and Cash Equivalents in Segregated Accounts	58,575	226,892	285,467
Cash and Cash Equivalents with Fiscal Agents	-	410	410
Investments	315,434	100,000	415,434
Hotel Taxes Receivable	25,510	-	25,510
Permissive Motor Vehicle License Receivable	2,844	-	2,844
Accounts Receivable	128,662	1,170,669	1,299,331
Payments in Lieu of Taxes Receivable	56,225	-	56,225
Accrued Interest Receivable	3,631	-	3,631
Intergovernmental Receivable	1,812,617	7,617	1,820,234
Municipal Income Tax Receivable	888,212	-	888,212
Loans Receivable	18,341	-	18,341
Materials and Supplies Inventory	63,764	105,001	168,765
Prepaid Items	89,561	80,474	170,035
Property Taxes Receivable	543,459	-	543,459
Non-Depreciable Capital Assets	7,937,934	11,362,317	19,300,251
Depreciable Capital Assets, Net	22,298,649	8,900,596	31,199,245
<i>Total Assets</i>	<u>\$ 40,700,385</u>	<u>\$ 29,042,930</u>	<u>\$ 69,743,315</u>
<b>Liabilities</b>			
Accounts Payable	\$ 267,065	\$ 76,897	\$ 343,962
Contracts Payable	420,214	318,004	738,218
Accrued Wages Payable	276,907	80,911	357,818
Retainage Payable	8,938	1,543	10,481
Accrued Interest Payable	41,283	35,777	77,060
Intergovernmental Payable	431,184	95,480	526,664
Vacation and Compensatory Benefits Payable	888,875	187,992	1,076,867
Customer Deposits Payable	-	212,900	212,900
Notes Payable	180,000	620,000	800,000
Long-Term Liabilities:			
Due Within One Year	100,057	557,053	657,110
Due In More Than One Year	5,885,538	15,390,807	21,276,345
<i>Total Liabilities</i>	<u>\$ 8,500,061</u>	<u>\$ 17,577,364</u>	<u>\$ 26,077,425</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	\$ 497,050	\$ -	\$ 497,050
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 25,769,825	\$ 4,917,720	\$ 30,687,545
Restricted for:			
Street	670,056	-	670,056
Cemetery	10,994	-	10,994
Community Development	858,205	-	858,205
Fire Operations	192,317	-	192,317
Police Operations	196,554	-	196,554
Court Operations	245,005	-	245,005
Recreation	1	-	1
Health	132,073	-	132,073
Capital Projects	2,161,956	-	2,161,956
Perpetual Care:			
Expendable	2,589	-	2,589
Non-expendable	454,303	-	454,303
Park - Non-expendable	750	-	750
Unclaimed Monies	14,569	-	14,569
Other Purposes	21,927	-	21,927
Unrestricted	972,150	6,547,846	7,519,996
<i>Total Net Position</i>	<u>\$ 31,703,274</u>	<u>\$ 11,465,566</u>	<u>\$ 43,168,840</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
**Statement of Activities**  
For the Year Ended December 31, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government:							
Legislative and Executive	\$ 3,948,401	\$ 947,000	\$ 60,430	\$ -	\$ (2,940,971)	\$ -	\$ (2,940,971)
Court	1,077,172	867,954	172,430	-	(36,788)	-	(36,788)
Security of Persons and Property:							
Police	3,521,412	278,881	7,617	33,571	(3,201,343)	-	(3,201,343)
Fire	3,614,298	518,096	2,340	88,305	(3,005,557)	-	(3,005,557)
Public Health Services	901,626	304,783	76,412	-	(520,431)	-	(520,431)
Community Environment	514,608	-	645,941	-	131,333	-	131,333
Intergovernmental	1,861,814	-	1,872,743	-	10,929	-	10,929
Street	2,580,991	96,699	709,638	1,737,030	(37,624)	-	(37,624)
Transportation	10,653	-	-	-	(10,653)	-	(10,653)
Leisure Time Activities	605,056	336,860	500	191,578	(76,118)	-	(76,118)
Interest and Fiscal Charges	78,368	-	-	-	(78,368)	-	(78,368)
<b>Total Governmental Activities</b>	<b>18,714,399</b>	<b>3,350,273</b>	<b>3,548,051</b>	<b>2,050,484</b>	<b>(9,765,591)</b>	<b>-</b>	<b>(9,765,591)</b>
<b>Business-Type Activities</b>							
Sewer	2,925,372	3,263,099	-	66,422	-	404,149	404,149
Water	3,616,728	3,323,844	-	-	-	(292,884)	(292,884)
<b>Total Business-Type Activities</b>	<b>6,542,100</b>	<b>6,586,943</b>	<b>-</b>	<b>66,422</b>	<b>-</b>	<b>111,265</b>	<b>111,265</b>
<b>Total</b>	<b>\$25,256,499</b>	<b>\$ 9,937,216</b>	<b>\$ 3,548,051</b>	<b>\$ 2,116,906</b>	<b>\$ (9,765,591)</b>	<b>\$ 111,265</b>	<b>\$ (9,654,326)</b>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					505,085	-	505,085
Debt Service					15,816	-	15,816
Income Taxes Levied for:							
General Purposes					6,473,214	-	6,473,214
Street					1,019,708	-	1,019,708
Fire Operations					1,019,708	-	1,019,708
Capital Outlay					509,855	-	509,855
Payments in Lieu of Taxes					100,187	-	100,187
Hotel Tax					448,582	-	448,582
Franchise Taxes					214,054	-	214,054
Grants and Entitlements not Restricted to Specific Programs					679,267	-	679,267
Gain on Sale of Capital Assets					37,904	19,000	56,904
Investment Earnings					62,554	72,164	134,718
Insurance Recoveries					3,300	-	3,300
Other					290,024	66,442	356,466
<b>Total General Revenues</b>					<b>11,379,258</b>	<b>157,606</b>	<b>11,536,864</b>
<b>Change in Net Position</b>					<b>1,613,667</b>	<b>268,871</b>	<b>1,882,538</b>
<b>Net Position Beginning of Year</b>					<b>30,089,607</b>	<b>11,196,695</b>	<b>41,286,302</b>
<b>Net Position End of Year</b>					<b>\$ 31,703,274</b>	<b>\$ 11,465,566</b>	<b>\$43,168,840</b>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2013*

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 1,853,706	\$ 357,232	\$ 103,761	\$ 2,432,947	\$ 1,694,752	\$ 6,442,398
Cash and Cash Equivalents in Segregated Accounts	37,748	-	-	-	20,827	58,575
Restricted Cash	14,569	-	-	-	-	14,569
Investments	-	-	-	-	315,434	315,434
Receivables:						
Hotel Taxes	25,510	-	-	-	-	25,510
Permissive Motor Vehicle License Accounts	83,078	8,000	-	-	37,584	128,662
Payments in Lieu of Taxes	-	-	-	-	56,225	56,225
Accrued Interest	1,110	22	-	-	2,499	3,631
Interfund	106,890	-	-	23,124	-	130,014
Municipal Income Tax	639,991	99,288	-	49,645	99,288	888,212
Loans	-	-	-	-	18,341	18,341
Property Taxes	527,217	-	-	-	16,242	543,459
Intergovernmental	189,740	699,933	743,952	28,978	150,014	1,812,617
Materials and Supplies Inventory	22,890	40,874	-	-	-	63,764
Prepaid Items	69,628	7,216	583	-	12,134	89,561
<b>Total Assets</b>	<b><u>\$3,572,077</u></b>	<b><u>\$1,215,409</u></b>	<b><u>\$848,296</u></b>	<b><u>\$2,534,694</u></b>	<b><u>\$2,423,340</u></b>	<b><u>\$10,593,816</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 212,916	\$ 11,587	\$ 38	\$ 22,669	\$ 19,855	\$ 267,065
Contracts Payable	-	367,377	3,835	49,002	-	420,214
Accrued Wages Payable	206,544	23,536	1,416	-	45,411	276,907
Retainage Payable	-	-	6,846	2,092	-	8,938
Accrued Interest Payable	-	-	-	380	1,051	1,431
Intergovernmental Payable	347,711	26,436	3,364	-	53,673	431,184
Interfund Payable	-	-	-	100,000	30,014	130,014
Notes Payable	-	-	-	47,784	132,216	180,000
<b>Total Liabilities</b>	<b><u>767,171</u></b>	<b><u>428,936</u></b>	<b><u>15,499</u></b>	<b><u>221,927</u></b>	<b><u>282,220</u></b>	<b><u>1,715,753</u></b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	480,808	-	-	-	16,242	497,050
Unavailable Revenue	289,359	550,540	568,321	35,774	181,452	1,625,446
<b>Total Deferred Inflows of Resources</b>	<b><u>770,167</u></b>	<b><u>550,540</u></b>	<b><u>568,321</u></b>	<b><u>35,774</u></b>	<b><u>197,694</u></b>	<b><u>2,122,496</u></b>
<b>Fund Balances</b>						
Nonspendable	107,087	48,090	583	-	467,187	622,947
Restricted	-	187,843	263,893	2,276,993	1,468,382	4,197,111
Committed	-	-	-	-	14,009	14,009
Assigned	528,284	-	-	-	-	528,284
Unassigned	1,399,368	-	-	-	(6,152)	1,393,216
<b>Total Fund Balances</b>	<b><u>2,034,739</u></b>	<b><u>235,933</u></b>	<b><u>264,476</u></b>	<b><u>2,276,993</u></b>	<b><u>1,943,426</u></b>	<b><u>6,755,567</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 3,572,077</u></b>	<b><u>\$ 1,215,409</u></b>	<b><u>\$ 848,296</u></b>	<b><u>\$ 2,534,694</u></b>	<b><u>\$ 2,423,340</u></b>	<b><u>\$ 10,593,816</u></b>

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, 2013*

**Total Governmental Fund Balances** \$ 6,755,567

*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. 30,236,583

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

Investment Earnings	2,276	
Delinquent Property Taxes	46,409	
Charges for Services	48,988	
Estate Taxes	6,533	
Municipal Income Tax	140,877	
Payments in Lieu of Taxes	56,225	
Other Revenues	25,498	
Intergovernmental Revenues	1,298,640	
<b>Total</b>	<b>1,625,446</b>	<b>1,625,446</b>

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

Bonds Payable	(91,500)	
Accrued Interest Payable	(39,852)	
Loans Payable	(253,474)	
Notes Payable	(4,890,000)	
Intergovernmental Payable	(71,787)	
Compensated Absences Payable - Sick Leave	(678,834)	
Vacation and Compensatory Benefits Payable	(888,875)	
<b>Total</b>	<b>(6,914,322)</b>	<b>(6,914,322)</b>

***Net Position of Governmental Activities*** **\$ 31,703,274**

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, 2013*

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 496,427	\$ -	\$ -	\$ -	\$ 15,816	\$ 512,243
Hotel Tax	448,582	-	-	-	-	448,582
Permissive Motor Vehicle License Tax	-	32,855	-	-	-	32,855
Municipal Income Tax	6,468,727	1,019,653	-	509,827	1,019,653	9,017,860
Payments in Lieu of Taxes	12,237	-	-	-	271,525	283,762
Charges for Services	1,271,305	71,844	-	-	756,390	2,099,539
Fines, Licenses and Permits	593,065	-	-	-	589,388	1,182,453
Franchise Taxes	214,054	-	-	-	-	214,054
Intergovernmental	741,189	2,622,449	2,424,885	275,286	750,334	6,814,143
Investment Earnings	37,407	605	-	13,378	18,346	69,736
Donations	7,800	-	-	-	13,508	21,308
Rent	23,112	-	-	-	-	23,112
Other	135,709	106,400	-	1,488	15,154	258,751
<i>Total Revenues</i>	<u>10,449,614</u>	<u>3,853,806</u>	<u>2,424,885</u>	<u>799,979</u>	<u>3,450,114</u>	<u>20,978,398</u>
<b>Expenditures</b>						
Current:						
General Government:						
Legislative and Executive	3,654,153	-	-	-	162,787	3,816,940
Court	729,839	-	-	-	266,278	996,117
Security of Persons and Property:						
Police	3,388,059	-	-	-	73,617	3,461,676
Fire	2,167,719	-	-	-	1,266,054	3,433,773
Public Health Services	419,923	-	-	-	449,838	869,761
Community Environment	-	-	625,647	-	33,190	658,837
Street	-	3,888,789	-	-	-	3,888,789
Leisure Time Activities	-	-	-	-	1,162,539	1,162,539
Capital Outlay	-	-	-	1,296,105	12,398	1,308,503
Intergovernmental	-	-	1,861,814	-	-	1,861,814
Debt Service:						
Principal Retirement	57,000	19,259	-	-	10,000	86,259
Current Refunding	-	-	-	47,784	168,000	215,784
Issuance Costs	-	-	-	10,917	9,604	20,521
Interest and Fiscal Charges	8,119	485	-	16,233	50,394	75,231
<i>Total Expenditures</i>	<u>10,424,812</u>	<u>3,908,533</u>	<u>2,487,461</u>	<u>1,371,039</u>	<u>3,664,699</u>	<u>21,856,544</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>24,802</u>	<u>(54,727)</u>	<u>(62,576)</u>	<u>(571,060)</u>	<u>(214,585)</u>	<u>(878,146)</u>
<b>Other Financing Sources (Uses)</b>						
Notes Issued	-	-	-	2,649,411	2,240,589	4,890,000
Proceeds from Sale of Capital Assets	-	-	-	20,026	-	20,026
Current Refunding	-	-	-	(855,089)	(2,169,127)	(3,024,216)
Insurance Recoveries	-	-	-	-	3,300	3,300
Transfers In	-	-	-	-	222,642	222,642
Transfers Out	(188,155)	-	-	(34,487)	-	(222,642)
<i>Total Other Financing Sources (Uses)</i>	<u>(188,155)</u>	<u>-</u>	<u>-</u>	<u>1,779,861</u>	<u>297,404</u>	<u>1,889,110</u>
<i>Net Change in Fund Balances</i>	<u>(163,353)</u>	<u>(54,727)</u>	<u>(62,576)</u>	<u>1,208,801</u>	<u>82,819</u>	<u>1,010,964</u>
<i>Fund Balances Beginning of Year</i>	<u>2,198,092</u>	<u>290,660</u>	<u>327,052</u>	<u>1,068,192</u>	<u>1,860,607</u>	<u>5,744,603</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,034,739</u>	<u>\$ 235,933</u>	<u>\$ 264,476</u>	<u>\$ 2,276,993</u>	<u>\$ 1,943,426</u>	<u>\$ 6,755,567</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, 2013*

**Net Change in Fund Balances - Total Governmental Funds** \$1,010,964

*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	4,414,226	
Depreciation	(1,424,935)	
Excess of Capital Outlay over Depreciation Expense		2,989,291

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

Disposal of Capital Assets	37,904	
Proceeds from Sale of Capital Assets	(79,175)	(41,271)

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

Investment Earnings	337	
Delinquent Property Taxes	8,658	
Municipal Income Tax	4,625	
Payments in Lieu of Taxes	(183,575)	
Intergovernmental Revenues	(550,478)	
Estate Taxes	(14,690)	
Other Revenues	25,422	
Charges for Services	12,314	
Total		(697,387)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (3,137)

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. (4,890,000)

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	10,000	
Notes	3,240,000	
Loans	76,259	
Total		3,326,259

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

Intergovernmental Payable	20,326	
Vacation and Compensatory Benefits Payable	(113,233)	
Compensated Absences Payable - Sick Leave	11,855	
Total		(81,052)

***Change in Net Position of Governmental Activities*** \$1,613,667

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 513,000	\$ 513,000	\$ 496,427	\$ (16,573)
Hotel Tax	400,000	400,000	455,719	55,719
Municipal Income Tax	6,175,618	6,175,618	6,647,783	472,165
Payments in Lieu of Taxes	15,000	12,237	12,237	-
Charges for Services	1,273,548	1,275,271	1,272,858	(2,413)
Fines, Licenses and Permits	553,000	553,000	593,134	40,134
Franchise Tax	215,000	215,000	216,961	1,961
Intergovernmental	359,640	797,963	784,254	(13,709)
Investment Earnings	53,000	53,000	37,643	(15,357)
Donations	8,358	12,558	7,800	(4,758)
Rent	31,000	31,000	23,976	(7,024)
Other	108,804	233,697	134,508	(99,189)
<i>Total Revenues</i>	<u>9,705,968</u>	<u>10,272,344</u>	<u>10,683,300</u>	<u>410,956</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,625,908	3,884,236	3,670,184	214,052
Court	868,345	873,532	734,723	138,809
Security of Persons and Property:				
Police	3,379,446	3,511,016	3,463,495	47,521
Fire	2,067,980	2,225,807	2,210,221	15,586
Public Health Services	438,357	441,607	427,029	14,578
Debt Service:				
Principal	57,000	57,000	57,000	-
Interest and Fiscal Charges	8,119	8,119	8,119	-
<i>Total Expenditures</i>	<u>10,445,155</u>	<u>11,001,317</u>	<u>10,570,771</u>	<u>430,546</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(739,187)</u>	<u>(728,973)</u>	<u>112,529</u>	<u>841,502</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	-	-	20,000	20,000
Advances out	-	(120,000)	(120,000)	-
Transfers Out	(188,155)	(188,155)	(188,155)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(188,155)</u>	<u>(308,155)</u>	<u>(288,155)</u>	<u>20,000</u>
<i>Net Change in Fund Balance</i>	(927,342)	(1,037,128)	(175,626)	861,502
<i>Fund Balance Beginning of Year</i>	1,906,242	1,906,242	1,906,242	-
Prior Year Encumbrances Appropriated	52,046	52,046	52,046	-
<i>Fund Balance End of Year</i>	<u>\$ 1,030,946</u>	<u>\$ 921,160</u>	<u>\$ 1,782,662</u>	<u>\$ 861,502</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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Permissive Motor Vehicle License Tax	\$ 60,000	\$ 60,000	\$ 32,360	\$ (27,640)
Municipal Income Tax	963,753	963,753	1,046,004	82,251
Charges for Services	-	57,315	71,844	14,529
Intergovernmental	4,440,785	4,554,655	2,584,946	(1,969,709)
Investment Earnings	2,500	2,500	620	(1,880)
Other	28,000	85,099	106,671	21,572
<i>Total Revenues</i>	<u>5,495,038</u>	<u>5,723,322</u>	<u>3,842,445</u>	<u>(1,880,877)</u>
<b>Expenditures</b>				
Current:				
Street	5,826,577	4,106,640	4,017,493	89,147
Debt Service:				
Principal Retirement	19,259	19,259	19,259	-
Interest and Fiscal Charges	485	485	485	-
<i>Total Expenditures</i>	<u>5,846,321</u>	<u>4,126,384</u>	<u>4,037,237</u>	<u>89,147</u>
<i>Net Change in Fund Balance</i>	(351,283)	1,596,938	(194,792)	(1,791,730)
<i>Fund Balance Beginning of Year</i>	349,561	349,561	349,561	-
Prior Year Encumbrances Appropriated	90,037	90,037	90,037	-
<i>Fund Balance End of Year</i>	<u>\$ 88,315</u>	<u>\$ 2,036,536</u>	<u>\$ 244,806</u>	<u>\$ (1,791,730)</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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 2,394,076	\$ 2,765,267	\$ 2,507,434	\$ (257,833)
<b>Expenditures</b>				
Current:				
Community Environment	559,850	655,119	649,182	5,937
Intergovernmental	1,500,000	1,861,814	1,861,814	-
<i>Total Expenditures</i>	<u>2,059,850</u>	<u>2,516,933</u>	<u>2,510,996</u>	<u>5,937</u>
<i>Net Change in Fund Balance</i>	334,226	248,334	(3,562)	(251,896)
<i>Fund Balance Beginning of Year</i>	60,201	60,201	60,201	
Prior Year Encumbrances Appropriated	<u>15,568</u>	<u>15,568</u>	<u>15,568</u>	-
<i>Fund Balance End of Year</i>	<u>\$ 409,995</u>	<u>\$ 324,103</u>	<u>\$ 72,207</u>	<u>\$ (251,896)</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2013*

	Sewer	Water	Total Enterprise Funds
<b>Assets</b>			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,649,619	\$ 2,327,955	\$ 6,977,574
Cash and Cash Equivalents in Segregated Accounts	106,021	119,351	225,372
Cash and Cash Equivalents with Fiscal Agents	-	410	410
Accounts Receivable	572,615	598,054	1,170,669
Intergovernmental Receivable	3,820	3,797	7,617
Materials and Supplies Inventory	14,910	90,091	105,001
Restricted Assets:			
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	54,576	56,804	111,380
Cash and Cash Equivalents in Segregated Accounts	745	775	1,520
Investments	49,000	51,000	100,000
Prepaid Items	37,972	42,502	80,474
<i>Total Current Assets</i>	<i>5,489,278</i>	<i>3,290,739</i>	<i>8,780,017</i>
Noncurrent:			
Non-Depreciable Capital Assets	10,930,467	431,850	11,362,317
Depreciable Capital Assets, Net	4,893,143	4,007,453	8,900,596
<i>Total Noncurrent Assets</i>	<i>15,823,610</i>	<i>4,439,303</i>	<i>20,262,913</i>
<i>Total Assets</i>	<i>21,312,888</i>	<i>7,730,042</i>	<i>29,042,930</i>
<b>Liabilities</b>			
Current:			
Accounts Payable	35,151	41,746	76,897
Contracts Payable	128,962	189,042	318,004
Accrued Wages Payable	39,760	41,151	80,911
Retainage Payable	1,543	-	1,543
Intergovernmental Payable	48,580	46,900	95,480
Vacation and Compensatory Benefits Payable	73,966	114,026	187,992
Compensated Absences Payable	-	9,658	9,658
Accrued Interest Payable	8,379	27,398	35,777
Notes Payable	59,000	561,000	620,000
Refunding Bonds Payable	-	330,000	330,000
Issue II Loans Payable	11,974	21,627	33,601
OWDA Loans Payable	183,794	-	183,794
Customer Deposits Payable from Restricted Assets	104,321	108,579	212,900
<i>Total Current Liabilities</i>	<i>695,430</i>	<i>1,491,127</i>	<i>2,186,557</i>
Long-Term:			
Compensated Absences Payable	19,214	124,235	143,449
Notes Payable	984,000	2,104,000	3,088,000
Refunding Bonds Payable	-	2,563,212	2,563,212
Issue II Loans Payable	194,676	357,371	552,047
OWDA Loans Payable	9,044,099	-	9,044,099
<i>Total Long-Term Liabilities</i>	<i>10,241,989</i>	<i>5,148,818</i>	<i>15,390,807</i>
<i>Total Liabilities</i>	<i>10,937,419</i>	<i>6,639,945</i>	<i>17,577,364</i>
<b>Net Position</b>			
Net Investment in Capital Assets Unrestricted	5,445,932	(528,212)	4,917,720
	<i>4,929,537</i>	<i>1,618,309</i>	<i>6,547,846</i>
<i>Total Net Position</i>	<i>\$ 10,375,469</i>	<i>\$ 1,090,097</i>	<i>\$ 11,465,566</i>

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, 2013*

	Sewer	Water	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for Services	\$ 3,263,099	\$ 3,323,844	\$ 6,586,943
Other Operating Revenues	31,985	34,457	66,442
<i>Total Operating Revenues</i>	<u>3,295,084</u>	<u>3,358,301</u>	<u>6,653,385</u>
<b>Operating Expenses</b>			
Salaries and Wages	842,415	920,806	1,763,221
Fringe Benefits	488,375	498,045	986,420
Contractual Services	847,947	976,084	1,824,031
Materials and Supplies	206,002	265,297	471,299
Other Operating Expenses	33,485	21,330	54,815
Depreciation	372,187	491,663	863,850
<i>Total Operating Expenses</i>	<u>2,790,411</u>	<u>3,173,225</u>	<u>5,963,636</u>
<i>Operating Income</i>	<u>504,673</u>	<u>185,076</u>	<u>689,749</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Earnings	5,173	66,991	72,164
Gain on Sale of Capital Assets	-	19,000	19,000
Capital Grants	66,422	-	66,422
Interest and Fiscal Charges	(134,961)	(373,023)	(507,984)
Bond Issuance Costs	-	(70,480)	(70,480)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(63,366)</u>	<u>(357,512)</u>	<u>(420,878)</u>
<i>Change in Net Position</i>	441,307	(172,436)	268,871
<i>Net Position Beginning of Year</i>	<u>9,934,162</u>	<u>1,262,533</u>	<u>11,196,695</u>
<i>Net Position End of Year</i>	<u>\$ 10,375,469</u>	<u>\$ 1,090,097</u>	<u>\$ 11,465,566</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, 2013

	Sewer	Water	Total Enterprise Funds
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 3,181,636	\$ 3,192,813	\$ 6,374,449
Cash Payments for Employee Services and Benefits	(1,318,599)	(1,443,131)	(2,761,730)
Cash Payments to Suppliers for Goods and Services	(1,059,736)	(1,086,796)	(2,146,532)
Other Operating Revenues	27,565	29,508	57,073
Other Operating Expenses	(52,315)	(17,281)	(69,596)
Customer Deposits Received	18,355	19,105	37,460
Customer Deposits Returned	(16,352)	(17,020)	(33,372)
<i>Net Cash Provided by Operating Activities</i>	<u>780,554</u>	<u>677,198</u>	<u>1,457,752</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(5,675,825)	(196,608)	(5,872,433)
Capital Grants	66,422	-	66,422
Payment to Refunded Bond Escrow Agent	-	(2,823,292)	(2,823,292)
Proceeds of Refunding Bonds	-	2,840,000	2,840,000
Bond Issuance Costs	-	(70,480)	(70,480)
Proceeds from Sale of Bond Anticipation Notes	1,043,000	2,665,000	3,708,000
Loan Proceeds	5,101,161	-	5,101,161
Principal Paid on Debt	(1,409,673)	(2,161,910)	(3,571,583)
Interest Paid on Debt	(138,945)	(174,525)	(313,470)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,013,860)</u>	<u>78,185</u>	<u>(935,675)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	5,173	66,991	72,164
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(228,133)	822,374	594,241
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,039,094</u>	<u>1,682,921</u>	<u>6,722,015</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 4,810,961</u></u>	<u><u>\$ 2,505,295</u></u>	<u><u>\$ 7,316,256</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
<i>Operating Income</i>	\$ 504,673	\$ 185,076	\$ 689,749
Adjustments:			
Depreciation	372,187	491,663	863,850
(Increase)/Decrease in Assets:			
Accounts Receivable	(82,063)	(132,183)	(214,246)
Intergovernmental Receivable	(3,820)	(3,797)	(7,617)
Materials and Supplies Inventory	(1,186)	(19,720)	(20,906)
Prepaid Items	1,307	1,620	2,927
Increase/(Decrease) in Liabilities:			
Accounts Payable	(2,633)	(10,740)	(13,373)
Contract Payable	(23,990)	187,083	163,093
Accrued Wages Payable	5,386	4,314	9,700
Intergovernmental Payable	2,768	4,479	7,247
Vacation and Compensatory Benefits Payable	4,891	3,275	8,166
Accrued Sick Leave Payable	-	(37,545)	(37,545)
Customer Deposits Payable	2,003	2,085	4,088
Compensated Absences Payable	1,031	1,588	2,619
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 780,554</u></u>	<u><u>\$ 677,198</u></u>	<u><u>\$ 1,457,752</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2013*

**Assets**

Cash and Cash Equivalents in Segregated Accounts	\$ 93,836
Hotel Taxes Receivable	25,510
Accounts Receivable	<u>1,218,643</u>

*Total Assets* \$ 1,337,989

**Liabilities**

Intergovernmental Payable	\$ 101,845
Due to Others	<u>1,236,144</u>

*Total Liabilities* \$ 1,337,989

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

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

**Report Entity**

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

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

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

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

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

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

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

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

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

C. Measurement Focus

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

**D. Basis of Accounting**

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 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, estate taxes, charges for services, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

**E. Budget Process**

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**F. Cash and Cash Equivalents**

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

During 2013, 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 2013 amounted to \$37,407, of which \$34,043 was assigned from other funds.

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

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

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

**G. Restricted Assets**

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

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

**H. Inventory**

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

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**J. Capital Assets**

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

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

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

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

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

**K. Compensated Absences**

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

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

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

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

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

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

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

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

N. Net Position

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

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

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Q. Interfund Assets and Liabilities**

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

**R. Bond Premiums and Discounts**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The City did not have any extraordinary or special items in 2013.

**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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE**

For 2013, the City implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34.”* This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the City’s financial statements.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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*Notes to the Basic Financial Statements*  
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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) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund and the Street and Community Development Special Revenue Funds.

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	\$ (163,353)	\$ (54,727)	\$ (62,576)
Net Adjustment for Revenue Accruals	236,949	(11,370)	77,682
Beginning of Year:			
Unrecorded Cash	12,803	-	4,867
Unrecorded Interest	2,701	71	-
Prepaid Items	67,677	6,688	591
Segregated Accounts	38,088	-	-
End of Year:			
Unrecorded Cash	(16,543)	-	-
Unrecorded Interest	(2,564)	(62)	-
Prepaid Items	(69,628)	(7,216)	(583)
Segregated Accounts	(37,748)	-	-
Net Adjustment for Expenditure Accruals	(77,502)	(15,812)	8,011
Advances In	20,000	-	-
Advances Out	(120,000)	-	-
Encumbrances	(66,506)	(112,364)	(31,554)
Budget Basis	<u>\$ (175,626)</u>	<u>\$ (194,792)</u>	<u>\$ (3,562)</u>

**NOTE 5 - FUND BALANCES**

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

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Fund Balances	General	Street	Community Development	Capital Improvement	Nonmajor Governmental Funds	Total
<b><u>Nonspendable:</u></b>						
Prepays	\$ 69,628	\$ 7,216	\$ 583	\$ -	\$ 12,134	\$ 89,561
Park Endowments	-	-	-	-	750	750
Cemetery Endowments	-	-	-	-	454,303	454,303
Unclaimed Monies	14,569	-	-	-	-	14,569
Inventory	22,890	40,874	-	-	-	63,764
<b>Total Nonspendable</b>	<b>107,087</b>	<b>48,090</b>	<b>583</b>	<b>-</b>	<b>467,187</b>	<b>622,947</b>
<b><u>Restricted for:</u></b>						
Street Improvements	-	187,843	-	-	359,827	547,670
Community Development	-	-	263,893	-	38,325	302,218
Cemetery	-	-	-	-	7,927	7,927
Armory	-	-	-	-	1	1
Fire Protection	-	-	-	-	275,178	275,178
Health	-	-	-	-	115,974	115,974
Law Enforcement	-	-	-	-	192,733	192,733
Court Operations	-	-	-	-	201,721	201,721
Law Director Operations	-	-	-	-	11,127	11,127
Energy Conservation	-	-	-	-	95,350	95,350
Pool Improvements	-	-	-	-	675	675
Court Improvements	-	-	-	-	169,544	169,544
Capital Improvements	-	-	-	2,276,993	-	2,276,993
<b>Total Restricted</b>	<b>-</b>	<b>187,843</b>	<b>263,893</b>	<b>2,276,993</b>	<b>1,468,382</b>	<b>4,197,111</b>
<b><u>Committed to:</u></b>						
Recreation	-	-	-	-	6,072	6,072
Community Development	-	-	-	-	3,022	3,022
Emergency Rescue	-	-	-	-	1,415	1,415
Veterans	-	-	-	-	911	911
Cemetery Trust	-	-	-	-	2,589	2,589
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,009</b>	<b>14,009</b>
<b><u>Assigned to:</u></b>						
2014 Appropriations	469,306	-	-	-	-	469,306
Purchases on Order	58,978	-	-	-	-	58,978
<b>Total Assigned</b>	<b>528,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>528,284</b>
<b><u>Unassigned:</u></b>						
	1,399,368	-	-	-	(6,152)	1,393,216
<b>Total Fund Balances</b>	<b>\$ 2,034,739</b>	<b>\$ 235,933</b>	<b>\$ 264,476</b>	<b>\$ 2,276,993</b>	<b>\$ 1,943,426</b>	<b>\$ 6,755,567</b>

**NOTE 6 - FUND DEFICITS**

The Marietta Harbor Capital Projects Fund has a deficit fund balance of \$6,152, as of December 31, 2013. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficit will be eliminated.

**NOTE 7 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
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 25 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

**City of Marietta, Ohio**  
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selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$13,294,258 of the County's bank balance of \$14,681,640 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

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Real Property	\$ 239,107,730
Public Utility Property	<u>8,010,570</u>
Total	<u><u>\$ 247,118,300</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, 2013, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services including unbilled utility services and third party billings), payments in lieu of taxes, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$18,341. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates of three percent. The loans are to be repaid over periods ranging from two to fifteen years. The amount not scheduled for collection during the subsequent year is \$15,378.

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 \$56,225, which represents amounts to be received by the City in 2014.

A summary of the principal items of intergovernmental receivables follows:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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<b>Governmental Activities:</b>	<u>Amount</u>
Community Housing Improvement Program	\$ 400,000
Gasoline Tax and Motor Vehicle License	326,146
Ohio Public Works Commission Grant	302,541
Housing and Urban Development Grant	191,329
Housing Voucher Program	152,623
Local Government	94,075
Community Based Corrections Grant	77,526
Ohio Department of Transportation Grant	65,032
Homestead and Rollback	31,092
Bureau of Workers' Compensation	28,393
Medicare/Medicaid Reimbursements	27,945
Estate Taxes	26,131
Victims of Crime Act Grant	19,820
Ohio Department of Natural Resources Grant	15,888
Utilities Income Tax	14,278
Recreational Trails Program	12,250
Bureau of Children with Medical Handicaps Reimbursements	11,810
Indigent Alcohol	4,341
DARE Grant	3,821
Health Subsidy	2,647
Fire Department Training Grant	2,340
Excess IRP	2,289
Immobilization Fees	300
	<hr/>
Total Governmental Activities	1,812,617
	<hr/>
<b>Business-Type Activities:</b>	
Bureau of Workers' Compensation	7,617
	<hr/>
Total	\$ 1,820,234
	<hr/> <hr/>

**NOTE 10 - INCOME TAX**

The City levies a municipal income tax of 1.7 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City. The City allows a credit of 100 percent for the income tax paid to another municipality, not to exceed 1.7 percent of taxable income, to a maximum of the total amount assessed.

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

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

	Balance 12/31/2012	Increases	Decreases	Balance 12/31/2013
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$ 1,231,784	\$ -	\$ -	\$ 1,231,784
Construction in Progress	3,277,654	3,661,320	(232,824)	6,706,150
Total Capital Assets not being Depreciated	<u>4,509,438</u>	<u>3,661,320</u>	<u>(232,824)</u>	<u>7,937,934</u>
Capital Assets being Depreciated:				
Buildings and Improvements	14,840,889	44,906	-	14,885,795
Machinery and Equipment	5,282,124	319,621	(1,103)	5,600,642
Vehicles	4,148,897	534,450	(403,081)	4,280,266
Infrastructure	36,297,313	86,753	-	36,384,066
Total Capital Assets being Depreciated	<u>60,569,223</u>	<u>985,730</u>	<u>(404,184)</u>	<u>61,150,769</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(4,259,410)	(283,228)	-	(4,542,638)
Machinery and Equipment	(4,111,256)	(194,693)	1,103	(4,304,846)
Vehicles	(2,817,882)	(253,897)	361,810	(2,709,969)
Infrastructure	(26,601,550)	(693,117)	-	(27,294,667)
Total Accumulated Depreciation	<u>(37,790,098)</u>	<u>(1,424,935)</u> *	<u>362,913</u>	<u>(38,852,120)</u>
Total Capital Assets being Depreciated, Net	<u>22,779,125</u>	<u>(439,205)</u>	<u>(41,271)</u>	<u>22,298,649</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,288,563</u>	<u>\$ 3,222,115</u>	<u>\$ (274,095)</u>	<u>\$ 30,236,583</u>

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

General Government - Legislative and Executive	\$ 83,638
General Government - Court	65,188
Security of Persons and Property:	
Police	94,647
Fire	155,003
Public Health Services	21,496
Community Environment	32,871
Street	721,290
Transportation	10,653
Leisure Time Activities	240,149
Total Depreciation Expense	<u>\$ 1,424,935</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

	Balance 12/31/2012	Increases	Decreases	Balance 12/31/2013
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$ 447,100	\$ -	\$ -	\$ 447,100
Construction in Progress	5,381,306	5,676,484	(142,573)	10,915,217
Total Capital Assets not being Depreciated	<u>5,828,406</u>	<u>5,676,484</u>	<u>(142,573)</u>	<u>11,362,317</u>
Capital Assets being Depreciated:				
Buildings and Improvements	263,245	-	-	263,245
Machinery and Equipment	3,606,723	220,467	(68,584)	3,758,606
Vehicles	774,467	37,377	-	811,844
Infrastructure	54,701,587	60,815	-	54,762,402
Total Capital Assets being Depreciated	<u>59,346,022</u>	<u>318,659</u>	<u>(68,584)</u>	<u>59,596,097</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(145,245)	(6,345)	-	(151,590)
Machinery and Equipment	(3,463,281)	(225,544)	68,584	(3,620,241)
Vehicles	(669,470)	(25,402)	-	(694,872)
Infrastructure	(45,622,239)	(606,559)	-	(46,228,798)
Total Accumulated Depreciation	<u>(49,900,235)</u>	<u>(863,850)</u>	<u>68,584</u>	<u>(50,695,501)</u>
Total Capital Assets being Depreciated, Net	<u>9,445,787</u>	<u>(545,191)</u>	<u>-</u>	<u>8,900,596</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,274,193</u>	<u>\$ 5,131,293</u>	<u>\$ (142,573)</u>	<u>\$ 20,262,913</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	\$107,862,432	\$5,000	
Boiler and Machinery	\$100,000,000	\$5,000	
	Limit (Per		
<u>Liability</u>	<u>Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$1,000,000	\$3,000,000	\$1,000
Employee Benefits	\$1,000,000	\$3,000,000	\$1,000
Employer Liability	\$1,000,000	\$1,000,000	\$0
Public Officials Wrongful Acts	\$1,000,000	\$1,000,000	\$5,000
Law Enforcement	\$1,000,000	\$1,000,000	\$5,000

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

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years. The City pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description – The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were \$700,972, \$495,823, and \$509,016, respectively. For 2013, 92.48 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$9,760 made by the City and \$6,971 made by plan members.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 for the plan.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$268,861 and \$360,109 for the year ended December 31, 2013, \$221,894 and \$334,805 for the year ended December 31, 2012, and \$252,674 and \$322,871 for the year ended December 31, 2011, respectively. For 2013, 91.50 percent for police and 90.92 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011, were \$53,921, \$198,329, and \$203,606, respectively. For 2013, 92.48 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$46,021 and \$48,525 for the year ended December 31, 2013, \$117,473 and \$131,011 for the year ended December 31, 2012, and \$133,769 and \$126,341 for the year ended December 31, 2011. For 2013, 91.50 percent has been contributed for police and 90.92 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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per week, per employee (no family or single rates) basis and are paid 85% by the City. Rates are \$290.80 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.

**NOTE 16 - SIGNIFICANT COMMITMENTS**

A. Contractual Commitments

As of December 31, 2013, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

**City of Marietta, Ohio**  
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	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<b><u>Capital Asset Projects:</u></b>			
<b><i>Armory Square:</i></b>			
Armory Fund	\$ 2,010,626	\$ 2,009,069	\$ 1,557
<b><i>City Hall Renovations:</i></b>			
Capital Improvement Fund	2,481,019	420,043	2,060,976
Community Development Fund	11,270	11,270	-
	<u>2,492,289</u>	<u>431,313</u>	<u>2,060,976</u>
<b><i>Riverfront Trail Phase II:</i></b>			
Street Fund	2,213,655	2,194,962	18,693
Community Development Fund	189,193	180,939	8,254
FEMA Fund	8,314	8,314	-
Capital Improvement Fund	140,296	140,296	-
	<u>2,551,458</u>	<u>2,524,511</u>	<u>26,947</u>
<b><i>SR7/Acme/Jefferson Street Intersection:</i></b>			
Street Fund	366,515	355,682	10,833
Community Development Fund	44,475	44,475	-
	<u>410,990</u>	<u>400,157</u>	<u>10,833</u>
<b><i>Pike, 7th, Greene Intersection Phase II:</i></b>			
Street Fund	335,277	300,542	34,735
<b><i>Safe Routes to School:</i></b>			
Street Fund	170,000	9,133	160,867
<b><i>Ft. Harmar Drive and SR60 Resurfacing:</i></b>			
Street Fund	572,565	436,613	135,952
<b><i>2013 ADA Curb, Ramps &amp; Asphalt Paving:</i></b>			
Street Fund	390,254	340,068	50,186
Community Development Fund	65,000	65,000	-
	<u>455,254</u>	<u>405,068</u>	<u>50,186</u>
<b><i>SR7 Pike Street Resurfacing:</i></b>			
Street Fund	170,322	165,404	4,918
<b><i>Channel Lane Culvert Replacement:</i></b>			
Street Fund	8,200	4,100	4,100
<b><i>Colony Theatre Repairs:</i></b>			
Community Development Fund	78,000	68,462	9,538
<b><i>Waste Water Treatment Plant Upgrade:</i></b>			
Sewer Fund	13,931,793	10,570,326	3,361,467
<b><i>Harmar Lift Station Replacement:</i></b>			
Sewer Fund	96,330	9,630	86,700
<b><i>Gilman Avenue Lift Station Replacement:</i></b>			
Sewer Fund	327,248	289,531	37,717
<b><i>Water Treatment Plant Back Up Generators:</i></b>			
Water Fund	456,404	33,285	423,119
<b><i>Storage Building:</i></b>			
Water Fund	12,750	12,445	305
<b><i>North Hills Water Tank Painting:</i></b>			
Water Fund	339,400	-	339,400
Total All Projects	<u>\$ 24,418,906</u>	<u>\$ 17,669,589</u>	<u>\$ 6,749,317</u>

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

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

<b>Governmental Funds:</b>	
General	\$ 66,506
Street	112,364
Community Development	31,554
Capital Improvement	2,233,931
Nonmajor Governmental Funds	<u>75,272</u>
<i>Total Governmental Funds</i>	<u>2,519,627</u>
<b>Enterprise Funds:</b>	
Water Fund	1,063,651
Sewer Fund	<u>242,709</u>
<i>Total Enterprise Funds</i>	<u>1,306,360</u>
Total	<u><u>\$ 3,825,987</u></u>

**NOTE 17 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City for the year ended December 31, 2013, were as follows:

	Principal Outstanding 12/31/2012	Additions	Deletions	Principal Outstanding 12/31/2013	Amounts Due in One Year
<b>Governmental Activities:</b>					
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	\$ 101,500	\$ -	\$ 10,000	\$ 91,500	\$ 11,000
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	29,033	-	19,259	9,774	9,774
Energy Conservation Loan @ 2.7%	300,700	-	57,000	243,700	58,500
2012 Various Purpose Bond					
Anticipation Note @ 1.75%	3,240,000	-	3,240,000	-	-
2013 Various Purpose Bond					
Anticipation Note @ 1.25%	-	4,890,000	-	4,890,000	-
Intergovernmental Payable	92,113	-	20,326	71,787	20,306
Compensated Absences - Sick Leave	<u>690,689</u>	<u>44,466</u>	<u>56,321</u>	<u>678,834</u>	<u>477</u>
Total Governmental Activities	<u><u>\$ 4,454,035</u></u>	<u><u>\$ 4,934,466</u></u>	<u><u>\$ 3,402,906</u></u>	<u><u>\$ 5,985,595</u></u>	<u><u>\$ 100,057</u></u>

*(continued)*

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

	Principal Outstanding 12/31/2012	Additions	Deletions	Principal Outstanding 12/31/2013	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<u>Bonds:</u>					
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	\$ 3,110,000	\$ -	\$ 3,110,000	\$ -	\$ -
Bond Discount	(4,489)	-	(4,489)	-	-
Water Refunding Bonds					
2013 - \$2,840,000 @ 2.0 - 3.0%	-	2,840,000	-	2,840,000	330,000
Bond Premium	-	53,772	560	53,212	-
Total Water Refunding Bonds	<u>3,105,511</u>	<u>2,893,772</u>	<u>3,106,071</u>	<u>2,893,212</u>	<u>330,000</u>
<u>Bond Anticipation Notes:</u>					
Water 2012 @ 1.75%	315,000	-	315,000	-	-
Water 2013 @ 1.25%	-	295,000	-	295,000	-
Water 2012 @ 1.75%	1,296,000	-	1,296,000	-	-
Water 2013 @ 1.25%	-	1,809,000	-	1,809,000	-
Sewer 2012 @ 1.75%	803,000	-	803,000	-	-
Sewer 2013 @ 1.25%	-	984,000	-	984,000	-
Total Bond Anticipation Notes	<u>2,414,000</u>	<u>3,088,000</u>	<u>2,414,000</u>	<u>3,088,000</u>	<u>-</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	283,912	-	22,366	261,546	11,510
Sewer OWDA Loan					
2011 - \$5,684,046 @ 3.0%	4,148,915	1,281,301	104,741	5,325,475	104,574
Sewer OWDA Loan					
2013 - \$6,883,599 @ 2.38%	-	3,510,793	-	3,510,793	-
Sewer OWDA Loan					
2012 - \$690,000 @ 2.45%	(46,016)	309,067	132,972	130,079	67,710
Water OPWC Loan					
1996 - \$400,000 @ 0%	100,000	-	20,000	80,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$479,936 @ 2%	321,908	-	22,910	298,998	11,627
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	230,244	-	23,594	206,650	11,974
Total Loans	<u>5,038,963</u>	<u>5,101,161</u>	<u>326,583</u>	<u>9,813,541</u>	<u>217,395</u>
Compensated Absences - Sick Leave	150,488	3,020	401	153,107	9,658
Total Business-Type Activities	<u>\$ 10,708,962</u>	<u>\$ 11,085,953</u>	<u>\$ 5,847,055</u>	<u>\$ 15,947,860</u>	<u>\$ 557,053</u>

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, Recreation, Fire Levy, Community Development, Marehab, Recreation, and Law Director Special Revenue Funds; and the Water and Sewer Enterprise Funds.

The parking lot bonds will be paid from general property tax revenues. The paving OPWC Loan was obtained to finance paving on Third Street in the City. The loan will be paid from intergovernmental revenue of the Street Special Revenue Fund. The energy conservation loan will be paid from energy savings.

The Various Purpose Bond Anticipation Notes were issued to finance the Municipal Court renovations, City Hall renovations, and installation of new software. The notes were retired and refinanced during April and May of 2014 (See Note 22). The notes will be repaid with court costs.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund, which are all general obligations, were obtained to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loan in the Sewer Enterprise Fund, also a general obligation, was obtained to help finance the sludge belt press project. A 2007 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer treatment plant upgrade. This loan was rolled into the 2011 loan. Since the final draw on the new loan has not been received, an amortization schedule has not been established. The 2012 and 2013 Ohio Water Development Authority (OWDA) loans were also obtained to help finance the sewer treatment plant upgrade. As of December 31, 2013, these loans have not been fully drawn down and no amortization schedule exists. The 2002 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer grit removal project.

The City has pledged future sewer customer revenues to repay the four OWDA loans. The loans are payable solely from net revenues and are payable through 2033. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 38 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$9,281,699. Principal and interest payments for the current year were \$363,797, net revenues were \$948,455, and total revenues were \$3,366,679.

The Bond Anticipation Notes were issued to finance the Cisler Drive Water Line project and various other projects of the water and wastewater departments. The notes were retired and refinanced during April and May of 2014 (See Note 22).

On March 1, 2003, the City issued \$5,650,000, of water system revenue refunding bonds which were used to refund the 1996 water revenue bonds in the amount of \$5,175,000. The revenue bonds were sold at a discount of \$9,505 that will be amortized over the life of the bonds using the straight-line method. \$5,463,008 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1996 water revenue bonds. The refunded bonds were called on December 1, 2006, and the irrevocable trust account was closed as of December 31, 2006.

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 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 will be retired through the Water Fund.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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	2003 Water Refunding Bonds
Outstanding at December 31, 2012	\$ 3,110,000
Amount Refunded	(2,815,000)
Principal Payment on Non-Refunded Portion	(295,000)
	\$ -

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 bonds were called on December 27, 2013.

The City decreased its aggregated debt service payments by \$185,026 over the next 8 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$165,354.

The City has pledged future water customer revenues to repay the water system revenue refunding bonds. The bonds are payable solely from net revenues and are payable through 2021. 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 bonds are expected to require less than 47 percent of net revenues in future years. The total principal and interest remaining to be paid on the bonds is \$3,181,806. Principal and interest payments for the current year were \$357,791, net revenues were \$762,730, and total revenues were \$3,444,292.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2013, are as follows:

Year	Parking Lot Bonds	
	Principal	Interest
2014	\$ 11,000	\$ 5,242
2015	11,500	4,612
2016	12,500	3,954
2017	13,000	3,238
2018	13,500	2,492
2019-2020	30,000	2,608
	\$ 91,500	\$ 22,146

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2013, are as follows:

Year	Principal	Interest
2014	\$ 9,774	\$ 98

Principal and interest requirements to retire the Energy Conservation Loan liability at December 31, 2013, are as follows:

Year	Principal	Interest
2014	\$ 58,500	\$ 6,580
2015	60,100	5,000
2016	61,700	3,378
2017	63,400	1,712
	\$ 243,700	\$ 16,670

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

Principal and interest requirements to retire the water refunding bonds outstanding at December 31, 2013, are as follows:

Year	Water Refunding Bonds	
	Principal	Interest
2014	\$ 330,000	\$ 68,806
2015	335,000	61,450
2016	345,000	54,750
2017	350,000	47,850
2018	355,000	40,850
2019-2021	1,125,000	68,100
	\$ 2,840,000	\$ 341,806

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2013, are as follows:

Year	OPWC Loans					2002 OWDA Loan	
	Sewer		Water			Sewer	
	Principal	Interest	Treatment Principal	Water Glendale Tank		Principal	Interest
2014	\$ 11,974	\$ 2,067	\$ 10,000	\$ 11,627	\$ 2,990	\$ 11,510	\$ 5,087
2015	24,309	3,773	20,000	23,604	5,630	23,697	9,498
2016	24,798	3,284	20,000	24,078	5,156	24,627	8,568
2017	25,296	2,786	20,000	24,562	4,672	25,595	7,600
2018	25,804	2,277	10,000	25,056	4,178	26,600	6,595
2019-2023	94,469	3,817	-	133,037	13,130	149,517	16,458
2024-2025	-	-	-	57,034	1,433	-	-
	\$ 206,650	\$ 18,004	\$ 80,000	\$ 298,998	\$ 37,189	\$ 261,546	\$ 53,806

As of December 31, 2013, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$25,947,422.

**NOTE 18 - NOTES PAYABLE**

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2013, were as follows:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

	Principal Outstanding 12/31/12	Additions	Deletions	Principal Outstanding 12/31/13
<b>Governmental Activities:</b>				
2012 TIF Note @ 1.75%	\$ 256,000	\$ -	\$ 256,000	\$ -
2013 Capital Facilities Note @ 1.75%	167,500	-	167,500	-
2013 Capital Facilities Note @ 1.25%	-	168,000	-	168,000
2012 Software Note @ 1.75%	15,000	-	15,000	-
2013 Software Note @ 1.25%	-	12,000	-	12,000
<b>Business-Type Activities:</b>				
Water 2012 Note @ 1.75%	20,000	-	20,000	-
Water 2013 Note @ 1.25%	-	20,000	-	20,000
Water 2012 Note @ 1.75%	30,000	-	30,000	-
Water 2013 Note @ 1.25%	-	30,000	-	30,000
Water 2012 Note @ 1.75%	27,000	-	27,000	-
Water 2013 Note @ 1.25%	-	27,000	-	27,000
Water 2012 Note @ 1.75%	131,000	-	131,000	-
Water 2013 Note @ 1.25%	-	480,000	-	480,000
Water 2012 Note @ 1.75%	5,000	-	5,000	-
Water 2013 Note @ 1.25%	-	4,000	-	4,000
Sewer 2012 Note @ 1.75%	5,000	-	5,000	-
Sewer 2013 Note @ 1.25%	-	4,000	-	4,000
Sewer 2013 Note @ 1.25%	-	12,000	-	12,000
Sewer 2012 Note @ 1.75%	8,000	-	8,000	-
Sewer 2013 Note @ 1.25%	-	8,000	-	8,000
Sewer 2012 Note @ 1.75%	24,000	-	24,000	-
Sewer 2013 Note @ 1.25%	-	24,000	-	24,000
Sewer 2012 Note @ 1.75%	286,000	-	286,000	-
Sewer 2013 Note @ 1.25%	-	11,000	-	11,000
Total Notes Payable	<u>\$ 974,500</u>	<u>\$ 800,000</u>	<u>\$ 974,500</u>	<u>\$ 800,000</u>

The Various Purpose Bond Anticipation Notes were issued to finance the renovations of the Municipal Court, for the State Route 7 Access Road and widening project, and installation of new software. The Business-type Activities Bond Anticipation Notes were issued to finance various water and sewer projects. The notes will mature on May 16, 2014.

**NOTE 19 - INTERFUND TRANSFERS AND BALANCES**

A. Balances

Interfund balances, as of December 31, 2013, consist of the following individual interfund receivables and payables:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

<u>Interfund Payable</u>	Interfund Receivable		
	Major Funds		
	General Fund	Capital Improvements Fund	Total
Capital Improvements Fund	\$ 100,000	\$ -	\$ 100,000
Other Nonmajor Governmental Funds	6,890	23,124	30,014
	\$ 106,890	\$ 23,124	\$ 130,014

The interfund balances are due to cash deficits and lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made.

**B. Transfers**

Interfund transfers for the year ended December 31, 2013, consisted of the following:

<u>Transfer Out</u>	<u>Transfer In</u>
	Other Nonmajor Governmental Funds
Major Funds:	
General Fund	\$ 188,155
Capital Improvements Fund	34,487
	\$ 222,642

Transfers were used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

**A. The Buckeye Hills-Hocking Valley Regional Development District**

The Buckeye Hills-Hocking Valley Regional Development District serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member board of directors. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District receives Title III monies directly. Currently, a portion of the Title III monies are distributed to the O'Neill Senior Citizens Center Corporation, a private not-for-profit corporation. The City contributed \$1,409 to the District during 2013. The continued existence of the District 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, 2013*

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

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2013, 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 2013, the City of Marietta contributed \$3,732. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2013.

**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 City management is of opinion that ultimate disposition of

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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these claims and legal proceeding will not have a material effect, if any, on the financial condition of the City.

**NOTE 22 - SUBSEQUENT EVENT**

The City retired \$6,148,000 of the \$8,778,000 various purpose bond anticipation notes bearing an interest rate of 1.25% on April 14, 2014, and issued General Obligation Various Purpose Bonds for \$6,190,000.

The City then retired the remaining amounts of the \$8,778,000 various purpose bond anticipation notes bearing an interest rate of 1.25% on May 16, 2014, and issued new notes for \$5,213,900.

**City of Marietta, Ohio**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2013*

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Direct from Federal Government:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-39-0018	\$ 31,472
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-39-0018	336,366
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-39-0018	<u>153,350</u>
Total Community Development Block Grants/Entitlement Grants			521,188
Section 8 Housing Choice Vouchers	14.871	N/A	1,841,791
Appalcha Economic Development Initiative	14.270	B-04-NO-OH-0920	149,115
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grants/State's Programs	14.228	A-Z-08-2HT-1	11,500
Community Development Block Grants/State's Programs	14.228	A-C-11-2HT-2	<u>110,067</u>
Total Community Development Block Grants/State's Programs			121,567
<b>Total United States Department of Housing and Urban Development</b>			<b><u>2,633,661</u></b>
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<i>Direct from Federal Government:</i>			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-07136	<u>93,595</u>
<b>Total United States Department of Homeland Security</b>			<b><u>93,595</u></b>
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	16.575	2013VAGENE329	17,838
Crime Victim Assistance	16.575	2014VAGENE329	5,946
Crime Victim Assistance	16.575	2011VAGENE951	500
Crime Victim Assistance	16.575	2011VAGENE951	<u>946</u>
Total Crime Victim Assistance			25,230
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-JG-C01-6983	<u>31,771</u>
<b>Total United States Department of Justice</b>			<b><u>57,001</u></b>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			
<i>Direct from Federal Government:</i>			
ARRA - Federal Transit - Capital Investment Grants	20.500	OH-40-0060-00	<u>321,860</u>
<b>Total United States Department of Transportation</b>			<b><u>321,860</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 3,106,117</u></b>

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

**City of Marietta, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2013*

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**Note A – Basis of Presentation**

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

**Note B – Matching Requirements**

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The Schedule does not include the expenditure of non-federal matching funds.

**Note C – Community Development Block Grant (CDBG) Revolving Loan Program**

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. Loans repaid, including interest, are used to make additional loans. Subsequent loans are made subject to the same compliance requirements imposed by HUD as the initial loans.

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

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

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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**

September 30, 2014

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Marietta**, Washington County, Ohio, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2014.

***Internal Control Over Financial Reporting***

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

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

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

***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.

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

September 30, 2014

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

To the Members of Council:

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

We have audited the **City of Marietta's**, Washington County, Ohio, (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City's major federal programs for the year ended December 31, 2013. The Summary of Auditor's Results in the accompanying Schedule of Audit Findings identifies the City's major federal programs.

***Management's Responsibility***

The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 federal programs. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each 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 each of its major federal programs for the year ended December 31, 2013.

***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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 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*  
*OMB Circular A -133 § .505*  
*For the Year Ended December 31, 2013*

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA # 14.871 Section 8 Housing Choice Vouchers CFDA # 14.218 Community Development Block Grants/Entitlement Grants CFDA # 20.500 ARRA – Federal Transit – Capital Investment Grants
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**CITY OF MARIETTA**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 6, 2014**