Perry & Associates
Certified Public Accountants, A.C.

CITY OF MARIETTA
WASHINGTON COUNTY
Single Audit
For the Year Ended December 31, 2017

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

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

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

749 Wheeling Ave.,
Suite 300
Cambridge, OH 43725
740.435.3417

www.perrycpas.com

City Council
City of Marietta
301 Putnam Street
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of the City of Marietta, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2017. 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.

Dave Yost
Auditor of State

August 20, 2018

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INDEPENDENT AUDITOR'S REPORT

June 29, 2018

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **City of Marietta**, Washington County, Ohio (the "City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio as of December 31, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street and Community Development Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2017, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

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

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, 2017. 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 2017 are as follows:

- In total, net position increased $1,209,711. Net position of governmental activities decreased $204,794 while the business-type activities increased $1,414,505.

- General governmental revenues accounted for $12,433,905 in revenue or 55% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for $10,225,443 or 45% of total revenues of $22,659,348.

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 2017?" 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.

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

> Governmental Activities - Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Sewer and Water Funds.
>
> Business-Type Activities - Sewer and water services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Sewer and Water Treatment Plants as well as all depreciation associated with the facilities.

Reporting the City of Marietta's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 18. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Marietta, our major funds are the General Fund; the Street and Community Development Special Revenue Funds; the Capital Improvement Capital Projects Fund; and the Sewer and Water Enterprise Funds.

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

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

The City of Marietta as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	$9,192,518	$9,312,238	$10,226,117	$10,345,336	$19,418,635	$19,657,574
Capital Assets, Net	38,178,831	37,367,320	35,023,699	28,222,370	73,202,530	65,589,690
Total Assets	47,371,349	46,679,558	45,249,816	38,567,706	92,621,165	85,247,264
Deferred Outflows of Resources						
Pension	4,836,773	5,226,304	1,252,030	990,768	6,088,803	6,217,072
Liabilities						
Current and Other Liabilities	1,853,789	2,250,713	731,441	7,087,866	2,585,230	9,338,579
Long-term Liabilities						
Due Within One Year	210,721	280,763	1,044,917	799,754	1,255,638	1,080,517
Due in More Than One Year:						
Net Pension Liability	19,234,313	18,487,487	3,274,862	2,552,460	22,509,175	21,039,947
Other Amounts	7,459,338	7,701,322	27,718,628	16,780,097	35,177,966	24,481,419
Total Liabilities	28,758,161	28,720,285	32,769,848	27,220,177	61,528,009	55,940,462
Deferred Inflows of Resources						
Property Taxes	571,348	505,786	0	0	571,348	505,786
Pension	545,100	141,484	47,966	68,770	593,066	210,254
Total Deferred Inflows of Resources	1,116,448	647,270	47,966	68,770	1,164,414	716,040
Net Position						
Net Investment in Capital Assets	31,029,038	29,363,339	9,646,631	8,105,558	40,675,669	37,468,897
Restricted	5,150,458	5,481,445	0	0	5,150,458	5,481,445
Unrestricted (Deficits)	(13,845,983)	(12,306,477)	4,037,401	4,163,969	(9,808,582)	(8,142,508)
Total Net Position	$22,333,513	$22,538,307	$13,684,032	$12,269,527	$36,017,545	$34,807,834

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

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

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

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

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

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

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

Total assets increased $7,373,901. Governmental activities increased $691,791, as well as the business-type activities by $6,682,110. Total liabilities increased $5,587,547. Governmental activities increased $37,876 along with the business-type activities of $5,549,671.

Notable changes in governmental activity assets are a decrease in intergovernmental receivables of $378,237, an increase in cash and cash equivalents of $75,453, an increase of $62,518 in property taxes receivable, and a net increase in capital assets of $811,511. The significant decrease in total deferred outflow of resources in 2017 was due to a decrease in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS. Although the majority of the City's governmental activity liabilities experience small changes, contracts and retainage payables decreased $414,659 and $50,095, respectively. This reflects the City's decreased construction activity in 2017. Vacation and compensatory benefits payable and intergovernmental payables increased $59,058 and $43,100, respectively. Notes payable decreased $67,000. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

For business-type activities, equity in pooled cash decreased $318,168 and cash in segregated accounts decreased $244. All other assets had increases or no change in 2017 including accounts receivables of $128,534 and capital assets of $6,801,329. Current liabilities decreased $6,356,425 mainly for notes payable of $6,109,960. Long-term liabilities increased $11,906,096 overall. Other amounts due in one year increased $10,938,531. The large changes in short term and long term liabilities is mainly the result of the City retiring a large portion of short term debt and then issuing OWDA loans. Net pension liability and liabilities due within one year also had increases of $722,402 and $245,163, respectively.

Table 2 shows the changes in net position for the year ended December 31, 2017, and comparisons to 2016.

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	$3,822,876	$3,514,072	$8,244,014	$8,269,648	$12,066,890	$11,783,720
Operating Grants, Contributions and Interest	4,140,052	3,656,640	0	172,541	4,140,052	3,829,181
Capital Grants and Contributions	2,262,515	859,631	177,984	0	2,440,499	859,631
Total Program Revenues	10,225,443	8,030,343	8,421,998	8,442,189	18,647,441	16,472,532
General Revenues						
Property Taxes	587,159	542,980	0	0	587,159	542,980
Income Taxes	10,410,046	10,464,320	0	0	10,410,046	10,464,320
Payments in Lieu of Taxes	118,781	117,015	0	0	118,781	117,015
Hotel Tax	414,363	486,051	0	0	414,363	486,051
Franchise Taxes	197,823	208,168	0	0	197,823	208,168
Grants and Entitlements	334,235	323,367	0	0	334,235	323,367
Gain on Sale of Capital Assets	0	0	10,892	2,521	10,892	2,521
Investment Earnings	93,499	73,810	1,563	27,875	95,062	101,685
Other	277,999	520,385	64,291	127,426	342,290	647,811
Total General Revenues	12,433,905	12,736,096	76,746	157,822	12,510,651	12,893,918
Total Revenues	22,659,348	20,766,439	8,498,744	8,600,011	31,158,092	29,366,450
Program Expenses						
General Government:						
Legislative and Executive	5,189,611	4,500,850	0	0	5,189,611	4,500,850
Court	1,790,963	1,696,498	0	0	1,790,963	1,696,498
Security of Persons and Property:						
Police	3,910,304	4,055,715	0	0	3,910,304	4,055,715
Fire	4,550,069	4,655,678	0	0	4,550,069	4,655,678
Public Health Services	891,575	814,036	0	0	891,575	814,036
Community Environment	769,988	529,139	0	0	769,988	529,139
Intergovernmental	1,995,094	2,044,302	0	0	1,995,094	2,044,302
Street	2,751,414	3,384,915	0	0	2,751,414	3,384,915
Transportation	38,140	56,371	0	0	38,140	56,371
Leisure Time Activities	794,668	584,237	0	0	794,668	584,237
Interest and Fiscal Charges	182,316	166,993	0	0	182,316	166,993
Sewer	0	0	3,727,784	4,114,889	3,727,784	4,114,889
Water	0	0	3,356,455	5,031,187	3,356,455	5,031,187
Total Program Expenses	22,864,142	22,488,734	7,084,239	9,146,076	29,948,381	31,634,810
Changes in Net Position	(204,794)	(1,722,295)	1,414,505	(546,065)	1,209,711	(2,268,360)
Net Position Beginning of Year	22,538,307	24,260,602	12,269,527	12,815,592	34,807,834	37,076,194
Net Position End of Year	$22,333,513	$22,538,307	$13,684,032	$12,269,527	$36,017,545	$34,807,834

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. Incomes taxes reported a decrease of $54,274 for 2017. The income tax rate is 1.7 percent. The City monitors this revenue source very closely for fluctuations because it represents 46 percent 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 the largest activity of the City, generating 37% of the governmental expenses. During 2017, expenses for police and fire operations amounted to $3,910,304 and $4,550,069, respectively. Expenses in these programs decreased $251,020 from 2016. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities. The operations of the fire department are also being supplemented by the third-party billings.

Street activities of the City accounted for over 12% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2017 amounted to $2,751,414, a decrease of $633,501 from 2016.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2017, the City collected $25,634 less in charges for services over the previous year but spent $2,061,837 less.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $22,567,057 and expenditures of $22,483,206.

The fund balance of the General Fund increased $34,146. The General Fund's Unassigned Fund Balance of $1,668,249 represented 15% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund increased $146,071. The Street Fund's Restricted Fund Balance of $794,760 represented 20% of current year expenditures.

The fund balance of the Community Development Fund increased $3,893. The Fund's Restricted Fund Balance of $234,817 represented 9% of current year expenditures.

The fund balance of the Capital Improvement Fund decreased $95,698. The Fund has a restricted fund balance of $855,284.

During 2017, the Sewer Fund had operating revenues of $4,319,829 and operating expenses of $3,365,670. The Water Fund had operating revenues of $3,988,476 and operating expenses of $3,174,637. The major operating expenses for these funds are salaries and wages, fringe benefits, and contractual services.

General Fund Budgeting Highlights

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

During the course of 2017, 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 not adjusted in 2017. Actual revenues were $280,877 under final estimates. The original appropriations were decreased $112,847. Legislative and executive was decreased $77,242 while judicial was decreased $8,106. Police was decreased $109,443, while fire was increased $105,854. Public health was also decreased by $23,910. Actual expenditures were $435,210 under final appropriations.

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

Capital Assets and Debt Administration

Capital Assets

Note 11 (Capital Assets) provides capital asset activity during 2017. Table 3 shows year 2017 balances compared to 2016.

(Table 3)
Capital Assets at December 31, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$1,397,625	$1,397,625	$606,027	$597,771	$2,003,652	$1,995,396
Buildings and Improvements	21,791,100	18,442,405	235,767	213,826	22,026,867	18,656,231
Machinery and Equipment	1,245,647	1,338,308	534,613	549,409	1,780,260	1,887,717
Vehicles	1,263,783	1,381,225	173,229	177,691	1,437,012	1,558,916
Infrastructure	11,648,007	10,375,316	10,129,763	7,857,101	21,777,770	18,232,417
Construction in Progress	832,669	4,432,441	23,344,300	18,826,572	24,176,969	23,259,013
Totals	$38,178,831	$37,367,320	$35,023,699	$28,222,370	$73,202,530	$65,589,690

Debt

The City's overall debt limit at December 31, 2017, is $21,608,819. Additional information on the City's debt can be found in Notes 17 and 18 of this report. Table 4 below is a summary of the City's debt obligations:

(Table 4)
Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
2000 Parking Lot Bonds	$43,500	$56,500	$0	$0
2014 Municipal Court Bonds	2,370,000	2,490,000	0	0
2014 Municipal Software Bonds	132,000	153,000	88,000	102,000
Armory Loan	400,000	450,000	0	0
Energy Conservation Loan	0	63,400	0	0
Capital Facilities Bond Anticipation Notes:				
Short-term	183,750	250,750	0	0
Long-term	3,895,500	3,979,250	0	0
Water Bond Anticipation Notes:				
Short-term	0	0	0	5,122,500
Sewer Bond Anticipation Notes:				
Short-term	0	0	4,855	992,315
Long-term	0	0	77,000	81,855
OPWC Paving Loan	36,173	31,517	0	0
2013 Water Refunding Bonds	0	0	1,480,000	1,830,000
2014 Water Bonds	0	0	1,690,000	1,775,000
2014 Sewer Bonds	0	0	760,000	800,000
Water OWDA Loans	0	0	4,590,229	0
Sewer OWDA Loans	0	0	19,041,810	11,840,734
Water OPWC Loans	0	0	202,662	247,469
Sewer OPWC Loan	0	0	587,426	604,985
Totals	$7,060,923	$7,474,417	$28,521,982	$23,396,858

Current Financial Issues

The City is facing financial pressures like many other forms of government. Our costs are mostly personnel and comprised 83.9% of the 2017 General Fund expenditures. Based upon recently ratified labor agreements, 2018 General Fund personnel costs will be subject to upward cost pressure in police, fire, and other union jurisdiction operations areas and potentially by yet to be determined compensation policy that attaches to non-union employee ranks in the General Fund.

2017 broke a five year trend (2012-2016) of deficit spending which eroded General fund carry forward reserves to levels which will be difficult to sustain present service levels in the future. The surplus spending scenario in 2017 was largely influenced by a wage freeze, which will be unattainable in years 2018-2020 based upon the final union contracts recently finalized.

Contacting the City Auditor's Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sherri Hess, Marietta City Auditor, 301 Putnam Street, Marietta, Ohio 45750, 740-373-0473.

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City of Marietta, Ohio

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	$4,729,782	$7,863,727	$12,593,509
Cash and Cash Equivalents in Segregated Accounts	81,660	247,539	329,199
Investments	315,000	100,000	415,000
Hotel Taxes Receivable	33,229	0	33,229
Permissive Motor Vehicle License Receivable	1,522	0	1,522
Accounts Receivable	174,286	1,735,606	1,909,892
Payments in Lieu of Taxes Receivable	118,781	0	118,781
Accrued Interest Receivable	22,380	0	22,380
Intergovernmental Receivable	1,517,540	6,631	1,524,171
Municipal Income Tax Receivable	1,234,162	0	1,234,162
Loans Receivable	3,443	0	3,443
Materials and Supplies Inventory	51,349	127,390	178,739
Prepaid Items	318,282	145,224	463,506
Property Taxes Receivable	591,102	0	591,102
Non-Depreciable Capital Assets	2,230,294	23,950,327	26,180,621
Depreciable Capital Assets, Net	35,948,537	11,073,372	47,021,909
Total Assets	47,371,349	45,249,816	92,621,165
Deferred Outflows of Resources			
Pension	4,836,773	1,252,030	6,087,041
Liabilities			
Accounts Payable	161,263	101,852	263,115
Contracts Payable	19,650	96,246	115,896
Accrued Wages Payable	138,766	39,860	178,626
Retainage Payable	50,707	0	50,707
Accrued Interest Payable	64,472	11,154	75,626
Intergovernmental Payable	218,387	39,841	258,228
Vacation and Compensatory Benefits Payable	1,016,794	228,653	1,245,447
Customer Deposits Payable	0	208,980	208,980
Notes Payable	183,750	4,855	188,605
Long-Term Liabilities:			
Due Within One Year	210,721	1,044,917	1,255,638
Due In More Than One Year:			
Net Pension Liability (See Note 13)	19,234,313	3,274,862	22,509,175
Other Amounts Due In More Than One Year	7,459,338	27,718,628	35,177,966
Total Liabilities	28,758,161	32,769,848	61,528,009
Deferred Inflows of Resources			
Property Taxes	571,348	0	571,348
Pension	545,100	47,966	591,304
Total Deferred Inflows of Resources	1,116,448	47,966	1,162,652
Net Position			
Net Investment in Capital Assets	31,029,038	9,646,631	40,675,669
Restricted for:			
Street	1,068,476	0	1,068,476
Cemetery	30,497	0	30,497
Community Development	379,069	0	379,069
Fire Operations	116,819	0	116,819
Police Operations	198,178	0	198,178
Court Operations	1,048,368	0	1,048,368
Recreation	3,948	0	3,948
Health	181,482	0	181,482
Capital Projects	1,555,929	0	1,555,929
Perpetual Care:			
Expendable	6,430	0	6,430
Non-expendable	466,966	0	466,966
Park - Non-expendable	711	0	711
Unclaimed Monies	13,802	0	13,802
Other Purposes	79,783	0	79,783
Unrestricted (Deficit)	(13,845,983)	4,037,401	(9,808,582)
Total Net Position	$22,333,513	$13,684,032	$36,017,545

*After deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated.

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	$5,189,611	$1,064,587	$158,606	$0
Court	1,790,963	1,196,782	788,201	0
Security of Persons and Property:				
Police	3,910,304	69,246	11,080	0
Fire	4,550,069	504,175	157	0
Public Health Services	891,575	329,204	75,343	99,096
Community Environment	769,988	0	604,737	0
Intergovernmental	1,995,094	0	1,777,224	0
Street	2,751,414	31,506	718,357	2,163,419
Transportation	38,140	69,466	0	0
Leisure Time Activities	794,668	557,910	6,347	0
Interest and Fiscal Charges	182,316	0	0	0
Total Governmental Activities	22,864,142	3,822,876	4,140,052	2,262,515
Business-Type Activities				
Sewer	3,727,784	4,286,444	0	0
Water	3,356,455	3,957,570	0	177,984
Total Business-Type Activities	7,084,239	8,244,014	0	177,984
Total	$29,948,381	$12,066,890	$4,140,052	$2,440,499

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

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
($3,966,418)	$0	($3,966,418)
194,020	0	194,020
(3,829,978)	0	(3,829,978)
(4,045,737)	0	(4,045,737)
(387,932)	0	(387,932)
(165,251)	0	(165,251)
(217,870)	0	(217,870)
161,868	0	161,868
31,326	0	31,326
(230,411)	0	(230,411)
(182,316)	0	(182,316)
(12,638,699)	0	(12,638,699)
0	558,660	558,660
0	779,099	779,099
0	1,337,759	1,337,759
(12,638,699)	1,337,759	(11,300,940)
570,921	0	570,921
16,238	0	16,238
7,474,012	0	7,474,012
1,174,409	0	1,174,409
1,174,409	0	1,174,409
587,216	0	587,216
118,781	0	118,781
414,363	0	414,363
197,823	0	197,823
334,235	0	334,235
0	10,892	10,892
93,499	1,563	95,062
28,372	0	28,372
21,632	0	21,632
310	0	310
227,685	64,291	291,976
12,433,905	76,746	12,510,651
(204,794)	1,414,505	1,209,711
22,538,307	12,269,527	34,807,834
$22,333,513	$13,684,032	$36,017,545

City of Marietta, Ohio

Balance Sheet

Governmental Funds

December 31, 2017

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	$1,054,485	$684,392	$36,779	$988,316	$1,952,008	$4,715,980
Cash and Cash Equivalents in						
Segregated Accounts	46,769	0	0	0	34,891	81,660
Restricted Cash	13,802	0	0	0	0	13,802
Investments	0	0	0	0	315,000	315,000
Receivables:						
Hotel Taxes	22,153	0	0	0	11,076	33,229
Permissive Motor Vehicle License	0	1,522	0	0	0	1,522
Accounts	113,129	228	0	0	60,929	174,286
Payments in Lieu of Taxes	0	0	0	0	118,781	118,781
Accrued Interest	19,663	1,013	0	0	1,704	22,380
Interfund	102,204	0	0	0	0	102,204
Municipal Income Tax	884,839	139,724	0	69,875	139,724	1,234,162
Loans	0	0	0	0	3,443	3,443
Property Taxes	575,110	0	0	0	15,992	591,102
Intergovernmental	180,273	376,786	343,574	511	616,396	1,517,540
Materials and Supplies Inventory	22,869	28,480	0	0	0	51,349
Prepaid Items	251,479	22,887	2,477	0	41,439	318,282
Total Assets	$3,286,775	$1,255,032	$382,830	$1,058,702	$3,311,383	$9,294,722
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	$106,847	$29,900	$80	$5,825	$18,611	$161,263
Contracts Payable	0	19,650	0	0	0	19,650
Accrued Wages Payable	105,431	11,676	644	0	21,015	138,766
Retainage Payable	0	50,707	0	0	0	50,707
Accrued Interest Payable	0	0	0	2,528	0	2,528
Intergovernmental Payable	140,776	10,910	1,340	0	65,361	218,387
Interfund Payable	0	0	0	0	102,204	102,204
Notes Payable	0	0	0	183,750	0	183,750
Total Liabilities	353,054	122,843	2,064	192,103	207,191	877,255
Deferred Inflows of Resources						
Property Taxes	555,356	0	0	0	15,992	571,348
Unavailable Revenue	333,827	286,062	143,472	11,315	710,354	1,485,030
Total Deferred Inflows of Resources	889,183	286,062	143,472	11,315	726,346	2,056,378
Fund Balances						
Nonspendable	288,150	51,367	2,477	0	509,116	851,110
Restricted	0	794,760	234,817	855,284	1,680,134	3,564,995
Committed	0	0	0	0	194,748	194,748
Assigned	88,139	0	0	0	0	88,139
Unassigned (Deficit)	1,668,249	0	0	0	(6,152)	1,662,097
Total Fund Balances	2,044,538	846,127	237,294	855,284	2,377,846	6,361,089
Total Liabilities and Fund Balances	$3,286,775	$1,255,032	$382,830	$1,058,702	$3,311,383	$9,294,722

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, 2017

Total Governmental Fund Balances		$6,361,089
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,178,831
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Investment Earnings	22,379	
Delinquent Property Taxes	19,754	
Charges for Services	2,176	
Fines, Licenses and Permits	67,813	
Municipal Income Tax	204,781	
Payments in Lieu of Taxes	118,781	
Intergovernmental Revenues	1,049,346	
Total		1,485,030
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	4,836,773	
Deferred Inflows - Pension	(545,100)	
Net Pension Liability	(19,234,313)	(14,942,640)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds Payable	(2,589,657)	
Accrued Interest Payable	(61,944)	
Loans Payable	(436,173)	
Notes Payable	(3,895,500)	
Intergovernmental Payable	(8,151)	
Compensated Absences Payable - Sick Leave	(740,578)	
Vacation and Compensatory Benefits Payable	(1,016,794)	
Total		(8,748,797)
Net Position of Governmental Activities		$22,333,513

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, 2017

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$573,965	$0	$0	$0	$16,238	$590,203
Hotel Tax	414,363	0	0	0	207,356	621,719
Permissive Motor Vehicle License	0	31,506	0	0	0	31,506
Municipal Income Tax	7,468,375	1,173,670	0	586,838	1,173,670	10,402,553
Payments in Lieu of Taxes	0	0	0	0	117,015	117,015
Charges for Services	1,368,129	0	0	0	817,030	2,185,159
Fines, Licenses and Permits	703,807	0	0	0	580,145	1,283,952
Franchise Taxes	197,823	0	0	0	0	197,823
Intergovernmental	412,114	2,815,200	2,679,607	9,519	757,173	6,673,613
Investment Earnings	73,836	3,903	0	0	4,798	82,537
Donations	74,841	0	0	7,789	4,097	86,727
Rent	52,195	0	0	0	14,370	66,565
Other	166,223	17,938	0	2,709	40,815	227,685
Total Revenues	11,505,671	4,042,217	2,679,607	606,855	3,732,707	22,567,057
Expenditures						
Current:						
General Government:						
Legislative and Executive	4,266,192	0	0	0	99,008	4,365,200
Court	725,368	0	0	0	582,952	1,308,320
Security of Persons and Property:						
Police	3,407,247	0	0	0	26,109	3,433,356
Fire	2,454,263	0	0	0	1,601,380	4,055,643
Public Health Services	488,700	0	0	0	302,926	791,626
Community Environment	0	0	680,620	0	17,011	697,631
Street	0	4,010,592	0	0	0	4,010,592
Transportation	0	0	0	0	32,199	32,199
Leisure Time Activities	0	0	0	0	637,452	637,452
Capital Outlay	0	0	0	364,555	140,546	505,101
Intergovernmental	0	0	1,995,094	0	0	1,995,094
Debt Service:						
Principal Retirement	63,400	1,247	0	0	204,000	268,647
Current Refunding	0	0	0	183,750	0	183,750
Issuance Costs	0	0	0	27,762	0	27,762
Interest and Fiscal Charges	1,684	0	0	63,378	105,771	170,833
Total Expenditures	11,406,854	4,011,839	2,675,714	639,445	3,749,354	22,483,206
Excess of Revenues Over (Under) Expenditures	98,817	30,378	3,893	(32,590)	(16,647)	83,851
Other Financing Sources (Uses)						
Premium on Notes Issued	0	0	0	0	28,372	28,372
Loan Proceeds	0	5,903	0	0	0	5,903
Notes Issued	0	100,000	0	3,795,500	0	3,895,500
Proceeds from Sale of Capital Assets	0	0	0	3,180	0	3,180
Current Refunding	0	0	0	(3,795,500)	0	(3,795,500)
Insurance Recoveries	11,842	9,790	0	0	0	21,632
Transfers In	0	0	0	0	297,633	297,633
Transfers Out	(76,513)	0	0	(66,288)	(154,832)	(297,633)
Total Other Financing Sources (Uses)	(64,671)	115,693	0	(63,108)	171,173	159,087
Net Change in Fund Balances	34,146	146,071	3,893	(95,698)	154,526	242,938
Fund Balances Beginning of Year	2,010,392	700,056	233,401	950,982	2,223,320	6,118,151
Fund Balances End of Year	$2,044,538	$846,127	$237,294	$855,284	$2,377,846	$6,361,089

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, 2017

Net Change in Fund Balances - Total Governmental Funds		$242,938
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	2,923,981	
Depreciation	(2,103,681)	
Excess of Capital Outlay over Depreciation Expense		820,300
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds and the loss on the disposal of assets:		
Proceeds from Sale of Capital Assets	(3,180)	
Loss on Sale of Capital Assets	(5,609)	(8,789)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Investment Earnings	22,060	
Delinquent Property Taxes	(3,044)	
Charges for Services	(19,475)	
Fines, Licenses and Permits	67,813	
Municipal Income Tax	7,493	
Payments in Lieu of Taxes	1,766	
Intergovernmental Revenues	(34,326)	
Total		42,287
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,396,875
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(2,936,848)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Bond Premium Amortization	3,042	
Accrued Interest Payable	(14,525)	
Total		(11,483)
Loan and Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Loan	(5,903)	
Notes	(3,895,500)	
Total		(3,901,403)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Bonds	154,000	
Notes	3,979,250	
Loans	114,647	
Total		4,247,897
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Intergovernmental Payable	2,717	
Vacation and Compensatory Benefits Payable	(59,058)	
Compensated Absences Payable - Sick Leave	(40,227)	
Total		(96,568)
Change in Net Position of Governmental Activities		($204,794)

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, 2017

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues				
Property Taxes	$525,500	$525,500	$573,965	$48,465
Hotel Tax	524,128	524,128	416,879	(107,249)
Municipal Income Tax	7,940,961	7,940,961	7,476,513	(464,448)
Charges for Services	1,338,560	1,338,560	1,376,820	38,260
Fines, Licenses and Permits	620,810	620,810	683,426	62,616
Franchise Tax	213,506	213,506	200,555	(12,951)
Intergovernmental	419,849	419,849	417,714	(2,135)
Investment Earnings	50,000	50,000	79,102	29,102
Donations	11,346	11,346	74,841	63,495
Rent	45,887	45,887	52,195	6,308
Other	208,797	208,797	266,457	57,660
Total Revenues	11,899,344	11,899,344	11,618,467	(280,877)
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,504,734	4,427,492	4,175,179	252,313
Court	776,650	768,544	740,346	28,198
Security of Persons and Property:				
Police	3,699,641	3,590,198	3,521,937	68,261
Fire	2,460,632	2,566,486	2,504,465	62,021
Public Health Services	537,304	513,394	489,005	24,389
Debt Service:				
Principal	63,400	63,400	63,400	0
Interest and Fiscal Charges	1,712	1,712	1,684	28
Total Expenditures	12,044,073	11,931,226	11,496,016	435,210
Excess of Revenues Under Expenditures	(144,729)	(31,882)	122,451	154,333
Other Financing Sources (Uses)				
Advances In	100,000	100,000	246,350	146,350
Advances Out	(136,229)	(266,973)	(246,350)	20,623
Insurance Recoveries	10,683	10,683	11,842	1,159
Transfers Out	(42,312)	(82,919)	(76,513)	6,406
Total Other Financing Sources (Uses)	(67,858)	(239,209)	(64,671)	174,538
Net Change in Fund Balance	(212,587)	(271,091)	57,780	328,871
Fund Balance Beginning of Year	784,467	784,467	784,467	0
Prior Year Encumbrances Appropriated	119,426	119,426	119,426	0
Fund Balance End of Year	$691,306	$632,802	$961,673	$328,871

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, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Permissive Motor Vehicle License Tax	$41,043	$61,565	$32,477	($29,088)
Municipal Income Tax	1,232,015	1,232,015	1,171,600	(60,415)
Intergovernmental	6,307,745	6,318,092	3,122,751	(3,195,341)
Investment Earnings	3,100	3,100	3,915	815
Other	388,278	388,405	16,006	(372,399)
Total Revenues	7,972,181	8,003,177	4,346,749	(3,656,428)
Expenditures				
Current:				
Street	8,273,205	4,558,446	4,379,932	178,514
Excess of Revenues Over (Under) Expenditures	(301,024)	3,444,731	(33,183)	(3,477,914)
Other Financing Sources				
Loan Proceeds	48,229	48,245	5,903	(42,342)
Notes Issued	0	0	100,000	100,000
Insurance Recoveries	79,988	80,014	9,790	(70,224)
Total Other Financing Sources	128,217	128,259	115,693	(12,566)
Net Change in Fund Balance	(172,807)	3,572,990	82,510	(3,490,480)
Fund Balance Beginning of Year	263,086	263,086	263,086	0
Prior Year Encumbrances Appropriated	206,909	206,909	206,909	0
Fund Balance End of Year	$297,188	$4,042,985	$552,505	($3,490,480)

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, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental	$1,951,759	$2,998,943	$2,558,469	($440,474)
Expenditures				
Current:				
Community Environment	459,759	676,391	592,563	83,828
Intergovernmental	1,500,000	1,995,094	1,995,094	0
Total Expenditures	1,959,759	2,671,485	2,587,657	83,828
Excess of Revenues Over (Under) Expenditures	(8,000)	327,458	(29,188)	(356,646)
Other Financing Sources (Uses)				
Advances In	0	0	75,000	75,000
Advances Out	0	0	(75,000)	(75,000)
Total Other Financing Sources	0	0	0	0
Net Change in Fund Balance	(8,000)	327,458	(29,188)	(356,646)
Fund Balance Beginning of Year	54,567	54,567	54,567	0
Prior Year Encumbrances Appropriated	8,000	8,000	8,000	0
Fund Balance End of Year	$54,567	$390,025	$33,379	($356,646)

See accompanying notes to the basic financial statements

City of Marietta, Ohio

Statement of Fund Net Position

Enterprise Funds

December 31, 2017

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	$4,995,889	$2,758,858	$7,754,747
Cash and Cash Equivalents in Segregated Accounts	121,978	125,561	247,539
Accounts Receivable	928,669	806,937	1,735,606
Intergovernmental Receivable	3,325	3,306	6,631
Materials and Supplies Inventory	24,024	103,366	127,390
Restricted Assets:			
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	53,400	55,580	108,980
Investments	49,000	51,000	100,000
Prepaid Items	64,498	80,726	145,224
Total Current Assets	6,240,783	3,985,334	10,226,117
Noncurrent:			
Non-Depreciable Capital Assets	23,231,672	718,655	23,950,327
Depreciable Capital Assets, Net	4,987,247	6,086,125	11,073,372
Total Noncurrent Assets	28,218,919	6,804,780	35,023,699
Total Assets	34,459,702	10,790,114	45,249,816
Deferred Outflows of Resources			
Pension	634,730	626,015	1,260,745
Liabilities			
Current:			
Accounts Payable	51,172	50,680	101,852
Contracts Payable	67,794	28,452	96,246
Accrued Wages Payable	19,151	20,709	39,860
Intergovernmental Payable	23,110	16,731	39,841
Vacation and Compensatory Benefits Payable	111,874	116,779	228,653
Accrued Interest Payable	3,211	7,943	11,154
Notes Payable	4,855	0	4,855
Refunding Bonds Payable	0	355,000	355,000
General Obligation Bonds Payable	47,000	92,000	139,000
OPWC Loans Payable	21,101	12,590	33,691
OWDA Loans Payable	436,464	80,762	517,226
Customer Deposits Payable from Restricted Assets	102,400	106,580	208,980
Total Current Liabilities	888,132	888,226	1,776,358
Long-Term:			
Compensated Absences Payable	36,161	139,354	175,515
Notes Payable	77,000	0	77,000
Refunding Bonds Payable	0	1,151,326	1,151,326
General Obligation Bonds Payable	771,168	1,672,409	2,443,577
OPWC Loans Payable	566,325	190,072	756,397
OWDA Loans Payable	18,605,346	4,509,467	23,114,813
Net Pension Liability	1,637,432	1,637,430	3,274,862
Total Long-Term Liabilities	21,693,432	9,300,058	30,993,490
Total Liabilities	22,581,564	10,188,284	32,769,848
Deferred Inflows of Resources			
Pension	23,102	33,579	56,681
Net Position			
Net Investment in Capital Assets	7,528,598	2,118,033	9,646,631
Unrestricted (Deficit)	4,961,168	(923,767)	4,037,401
Total Net Position	$12,489,766	$1,194,266	$13,684,032

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, 2017

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	$4,286,444	$3,957,570	$8,244,014
Other Operating Revenues	33,385	30,906	64,291
Total Operating Revenues	4,319,829	3,988,476	8,308,305
Operating Expenses			
Salaries and Wages	983,175	941,948	1,925,123
Fringe Benefits	786,862	782,437	1,569,299
Contractual Services	1,095,827	772,691	1,868,518
Materials and Supplies	164,056	250,528	414,584
Other Operating Expenses	47,841	27,863	75,704
Depreciation	287,909	399,170	687,079
Total Operating Expenses	3,365,670	3,174,637	6,540,307
Operating Income	954,159	813,839	1,767,998
Non-Operating Revenues (Expenses)			
Investment Earnings	1,563	0	1,563
Gain on Sale of Capital Assets	0	10,892	10,892
Interest and Fiscal Charges	(361,543)	(181,818)	(543,361)
Note Issuance Costs	(571)	0	(571)
Total Non-Operating Revenues (Expenses)	(360,551)	(170,926)	(531,477)
Income before Contributions	593,608	642,913	1,236,521
Capital Contributions	0	177,984	177,984
Change in Net Position	593,608	820,897	1,414,505
Net Position Beginning of Year	11,896,158	373,369	12,269,527
Net Position End of Year	$12,489,766	$1,194,266	$13,684,032

See accompanying notes to the basic financial statements

City of Marietta, Ohio

Statement of Cash Flows

Enterprise Funds

For the Year Ended December 31, 2017

	Sewer	Water	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	$4,177,336	$3,938,534	$8,115,870
Cash Payments for Employee Services and Benefits	(1,533,392)	(1,579,163)	(3,112,555)
Cash Payments to Suppliers for Goods and Services	(1,299,087)	(1,141,965)	(2,441,052)
Other Operating Revenues	28,465	26,503	54,968
Other Operating Expenses	(50,142)	(31,584)	(81,726)
Customer Deposits Received	15,915	16,565	32,480
Customer Deposits Returned	(14,362)	(14,948)	(29,310)
Net Cash Provided by Operating Activities	1,324,733	1,213,942	2,538,675
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(7,064,812)	(317,081)	(7,381,893)
Proceeds from Sale of Capital Assets	0	10,892	10,892
Notes Issuance Costs	(571)	0	(571)
Proceeds from Sale of Bond Anticipation Notes	81,855	0	81,855
Loan Proceeds	7,802,243	4,643,415	12,445,658
Principal Paid on Debt	(1,739,896)	(5,662,493)	(7,402,389)
Interest Paid on Debt	(370,860)	(240,773)	(611,633)
Net Cash Used for Capital and Related Financing Activities	(1,292,041)	(1,566,040)	(2,858,081)
Cash Flows from Investing Activities			
Investment Earnings	584	0	584
Net Increase (Decrease) in Cash and Cash Equivalents	33,276	(352,098)	(318,822)
Cash and Cash Equivalents Beginning of Year	5,137,991	3,292,097	8,430,088
Cash and Cash Equivalents End of Year	$5,171,267	$2,939,999	$8,111,266
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	$954,159	$813,839	$1,767,998
Adjustments:			
Depreciation	287,909	399,170	687,079
(Increase)/Decrease in Assets:			
Accounts Receivable	(109,566)	(18,968)	(128,534)
Intergovernmental Receivable	(2,909)	(2,854)	(5,763)
Materials and Supplies Inventory	6,521	(52,428)	(45,907)
Prepaid Items	(5,130)	(14,269)	(19,399)
Decrease in Deferred Outflows - Pension	219,674	212,207	431,881
Increase/(Decrease) in Liabilities:			
Accounts Payable	(11,528)	(18,911)	(30,439)
Contract Payable	(21,444)	(19,479)	(40,923)
Retainage Payable	(15,413)	(20,413)	(35,826)
Accrued Wages Payable	2,071	1	2,072
Intergovernmental Payable	34	(3,677)	(3,643)
Vacation and Compensatory Benefits Payable	11,293	(17,979)	(6,686)
Compensated Absences Payable	347	(42,037)	(41,690)
Net Pension Liability	36,654	36,654	73,308
Decrease in Deferred Inflows - Pension	(27,939)	(36,914)	(64,853)
Net Cash Provided by Operating Activities	$1,324,733	$1,213,942	$2,538,675

Noncash Capital Financing Activities:

Developers contributed $177,984 in the form of water lines during 2017.

See accompanying notes to the basic financial statements

City of Marietta, Ohio

Statement of Fiduciary Net Position

Custodial Funds

December 31, 2017

Assets	
Cash and Cash Equivalents in Segregated Accounts	$78,591
Accounts Receivable	82,646
Total Assets	161,237
Liabilities	
Accounts Payable	16,855
Intergovernmental Payable	61,736
Total Liabilities	78,591
Net Position	
Restricted for Individuals, Organizations, and Other Governments	$82,646

See accompanying notes to the basic financial statements

City of Marietta, Ohio

Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended December 31, 2017

Additions	
Fines and Forfeitures for Other Governments	$1,187,245
Amounts Held for Employees	1,895,142
Contributions from Individuals	148,706
Total Additions	3,231,093
Deductions	
Distributions on Behalf of Employees	1,895,142
Distributions to the State of Ohio	596,310
Distributions to Other Governments	259,147
Distributions to Individuals	375,049
Miscellaneous	90,707
Total Deductions	3,216,355
Net Increase in Fiduciary Net Position	14,738
Net Position Beginning of Year - Restated (Note 3)	67,908
Net Position End of Year	$82,646

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Report Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

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

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

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

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

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

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

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

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

C. Measurement Focus

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, payments in lieu of taxes, charges for services, intergovernmental grants, and fines, licenses and permits. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

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

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

E. <u>Budget Process</u>

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

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

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

F. Cash and Cash Equivalents

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

During 2017, 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 2017 amounted to $73,836, of which $67,571 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.

G. Restricted Assets

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

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

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Capital Assets

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

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

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

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

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

> ***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if any.
>
> ***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances).
>
> Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
>
> ***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund

balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

N. Net Position

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

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

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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

Q. Interfund Assets and Liabilities

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

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

R. Bond Premiums, Discounts and Issuance Costs

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

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The City did not have any extraordinary or special items in 2017.

T. Estimates

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

U. Pensions

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

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

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

For 2017, the City has also implemented Governmental Accounting Standard Board (GASB) Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities.

Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial, while other funds have been reclassified as governmental. These fund reclassifications resulted in the restatement of the City's financial statements. The new classification of custodial funds is reporting a beginning net position of $67,908. Also related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2016, agency funds reported assets and liabilities of $1,672,781.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Outstanding year end encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).

4. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

5. Advances in and advances out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

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

Net Change in Fund Balance

	General	Street	Community Development
GAAP Basis	$34,146	$146,071	$3,893
Net Adjustment for Revenue Accruals	111,732	304,613	(121,138)
Beginning of Year:			
Unrecorded Cash	24,794	0	0
Unrecorded Interest	7,392	213	0
Prepaid Items	213,246	19,571	296
Segregated Accounts	42,761	0	0
End of Year:			
Unrecorded Cash	(21,812)	0	0
Unrecorded Interest	(5,302)	(294)	0
Prepaid Items	(251,479)	(22,887)	(2,477)
Segregated Accounts	(46,769)	0	0
Net Adjustment for Expenditure Accruals	28,571	(233,184)	93,638
Advances In	246,350	0	0
Advances Out	(246,350)	0	0
Encumbrances	(79,500)	(131,593)	(3,400)
Budget Basis	$57,780	$82,510	($29,188)

NOTE 5 - FUND BALANCES

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

Fund Balances	General	Street	Community Development	Capital Improvement	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaids	$251,479	$22,887	$2,477	$0	$41,439	$318,282
Park Endowments	0	0	0	0	711	711
Cemetery Endowments	0	0	0	0	466,966	466,966
Unclaimed Monies	13,802	0	0	0	0	13,802
Inventory	22,869	28,480	0	0	0	51,349
Total Nonspendable	288,150	51,367	2,477	0	509,116	851,110
Restricted for:						
Street Improvements	0	794,760	0	0	3,639	798,399
Community Development	0	0	234,817	0	8,935	243,752
Cemetery	0	0	0	0	32,467	32,467
Debt Service	0	0	0	0	61,553	61,553
Fire Protection	0	0	0	0	250,473	250,473
Health	0	0	0	0	163,713	163,713
Law Enforcement	0	0	0	0	187,021	187,021
Court Operations	0	0	0	0	567,129	567,129
Law Director Operations	0	0	0	0	38,924	38,924
Energy Conservation	0	0	0	0	9,882	9,882
Parks and Recreation	0	0	0	0	3,948	3,948
Court Improvements	0	0	0	0	344,879	344,879
Capital Improvements	0	0	0	855,284	7,571	862,855
Total Restricted	0	794,760	234,817	855,284	1,680,134	3,564,995
Committed to:						
Community Development	0	0	0	0	15,762	15,762
Emergency Rescue	0	0	0	0	3,391	3,391
Veterans	0	0	0	0	911	911
Armory	0	0	0	0	68	68
Parking	0	0	0	0	170,174	170,174
Recreation	0	0	0	0	4,442	4,442
Total Committed	0	0	0	0	194,748	194,748
Assigned to:						
Purchases on Order	88,139	0	0	0	0	88,139
Unassigned (Deficit):	1,668,249	0	0	0	(6,152)	1,662,097
Total Fund Balances	$2,044,538	$846,127	$237,294	$855,284	$2,377,846	$6,361,089

NOTE 6 - FUND DEFICITS

The Marietta Harbor Capital Projects Fund has a deficit fund balances of $6,152 as of December 31, 2017. The deficit is the result of the recognition of an interfund payable to the General Fund from the Marietta Harbor Fund. Once grant reimbursements are received, the deficit will be eliminated.

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations or political subdivisions of the State of Ohio;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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, $7,442,533 of the City's bank balance of $13,772,616 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 either be insured or be protected by:

> Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Only one of the City's financial institutions was not enrolled in OPCS as of December 31, 2017; however, the financial institution still maintained its own 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 105 percent of the deposits being secured.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was $2.40 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	$265,305,230
Public Utility Property	7,153,710
Total	$272,458,940

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, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Tax Abatements

As of December 31, 2017, the City provided tax abatement through a Community Reinvestment Area (CRA) Tax Abatement with Hippodrome/Colony Historical Theater Association. Pursuant to Ohio Revised Code 3735.67, the City established the CRA to provide a property tax abatement to encourage revitalization of the existing building. The abatement was obtained through application by the property owner, including proof that the improvements have been made, and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient’s tax bill. The amount of property tax abated for 2017 was $15,325.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2017, 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 $3,443. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates of three percent. The loans are to be repaid over periods ranging from two to fifteen years. The amount not scheduled for collection during the subsequent year is $3,113.

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 $118,781, which represents amounts to be received by the City in 2018.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	Amount
Gasoline Tax and Motor Vehicle License	$311,647
Community Based Corrections Grant	296,876
Justice Reinvestment and Incentive Grant	211,685
Housing Voucher Program	187,310
Housing and Urban Development Grant	155,785
Local Government	100,815
2017 City Wide Paving	44,436
Victims of Crime Act Grant	40,980
Homestead and Rollback	31,347
Bureau of Workers Comp. Payments	24,715
MAC Time Study Reimbursement	23,719
Ohio River Trail - Phase 5 Pass-Thru	15,455
Stop Violence Against Women Grant	13,609
Medicare/Medicaid Reimbursements	13,119
Police Training Grant	10,800
Utilities Income Tax	8,694
IEI Fire Reimbursement	8,586
BCMH	6,550
Other	5,172
Health Subsidy	2,640
Excess IRP	2,116
Indigent Alcohol	851
Conintuum Of Care	479
State Route 676 Pass-Thru	154
Total Governmental Activities	1,517,540
Business-Type Activities:	
Bureau of Workers' Compensation	6,631
Total	$1,524,171

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, 2017, was as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$1,397,625	$0	$0	$1,397,625
Construction in Progress	4,432,441	2,595,826	(6,195,598)	832,669
Total Capital Assets not being Depreciated	5,830,066	2,595,826	(6,195,598)	2,230,294
Capital Assets being Depreciated:				
Buildings and Improvements	29,924,141	4,431,511	0	34,355,652
Machinery and Equipment	6,221,476	72,689	(25,700)	6,268,465
Vehicles	4,539,594	218,276	(95,846)	4,662,024
Infrastructure	35,177,327	1,801,277	0	36,978,604
Total Capital Assets being Depreciated	75,862,538	6,523,753	(121,546)	82,264,745
Less Accumulated Depreciation:				
Buildings and Improvements	(11,481,736)	(1,082,816)	0	(12,564,552)
Machinery and Equipment	(4,883,168)	(165,350)	25,700	(5,022,818)
Vehicles	(3,158,369)	(326,929)	87,057	(3,398,241)
Infrastructure	(24,802,011)	(528,586)	0	(25,330,597)
Total Accumulated Depreciation	(44,325,284)	(2,103,681) *	112,757	(46,316,208)
Total Capital Assets being Depreciated, Net	31,537,254	4,420,072	(8,789)	35,948,537
Governmental Activities Capital Assets, Net	$37,367,320	$7,015,898	($6,204,387)	$38,178,831

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	$280,357
General Government - Court	275,874
Security of Persons and Property:	
Police	138,443
Fire	184,750
Public Health Services	16,497
Community Environment	83,524
Street	861,803
Transportation	5,941
Leisure Time Activities	256,492
Total Depreciation Expense	$2,103,681

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	$597,771	$8,256	$0	$606,027
Construction in Progress	18,826,572	7,202,271	(2,684,543)	23,344,300
Total Capital Assets not being Depreciated	19,424,343	7,210,527	(2,684,543)	23,950,327
Capital Assets being Depreciated:				
Buildings and Improvements	945,450	41,809	0	987,259
Machinery and Equipment	2,641,077	47,844	0	2,688,921
Vehicles	912,547	52,053	(82,359)	882,241
Infrastructure	56,994,894	2,820,718	0	59,815,612
Total Capital Assets being Depreciated	61,493,968	2,962,424	(82,359)	64,374,033
Less Accumulated Depreciation:				
Buildings and Improvements	(731,624)	(19,868)	0	(751,492)
Machinery and Equipment	(2,091,668)	(62,640)	0	(2,154,308)
Vehicles	(734,856)	(56,515)	82,359	(709,012)
Infrastructure	(49,137,793)	(548,056)	0	(49,685,849)
Total Accumulated Depreciation	(52,695,941)	(687,079)	82,359	(53,300,661)
Total Capital Assets being Depreciated, Net	8,798,027	2,275,345	0	11,073,372
Business-Type Activities Capital Assets, Net	$28,222,370	$9,485,872	($2,684,543)	$35,023,699

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:

Property	Limit	Deductible
Real and Personal Property	$115,357,815	$5,000
Boiler and Machinery	100,400,000	5,000

Liability	Limit (Per Occurrence)	Aggregate	Deductible
Commercial General	$1,000,000	$3,000,000	$1,000
Employee Benefits	1,000,000	3,000,000	1,000
Employer Liability	1,000,000	1,000,000	1,000
Public Officials Wrongful Acts	1,000,000	1,000,000	5,000
Law Enforcement	1,000,000	1,000,000	5,000

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $751,426 for 2017. Of this amount, $85,224 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $885,905 for 2017. Of this amount, $86,168 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.045067%	0.1938020%	
Prior Measurement Date	0.046050%	0.2030680%	
Change in Proportionate Share	-0.0009830%	-0.0092660%	
Proportionate Share of the Net Pension Liability	$10,233,950	$12,275,225	$22,509,175
Pension Expense	$2,178,854	$1,438,786	$3,617,640

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$13,871	$3,473	$17,344
Changes of assumptions	1,623,230	0	1,623,230
Net difference between projected and actual earnings on pension plan investments	1,524,071	1,193,712	2,717,783
Changes in proportion and differences between City contributions and proportionate share of contributions	54,475	36,878	91,353
City contributions subsequent to the measurement date	751,426	885,905	1,637,331
Total Deferred Outflows of Resources	$3,967,073	$2,119,968	$6,087,041
Deferred Inflows of Resources			
Differences between expected and actual experience	$60,907	$28,263	$89,170
Changes in proportion and differences between City contributions and proportionate share of contributions	83,482	418,652	502,134
Total Deferred Inflows of Resources	$144,389	$446,915	$591,304

$1,637,331 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2018	$1,285,443	$379,706	$1,665,149
2019	1,292,142	379,706	1,671,848
2020	538,348	271,530	809,878
2021	(44,675)	(154,642)	(199,317)
2022	0	(81,014)	(81,014)
2023	0	(8,138)	(8,138)
Total	$3,071,258	$787,148	$3,858,406

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$15,634,644	$10,233,950	$5,733,424

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016, are summarized below:

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

Note: Assumptions are geometric.
* levered 2x

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$16,349,144	$12,275,225	$8,822,522

Changes between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015, was $57,802, $116,834, and $114,268, respectively. For 2017, 87 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

B. Police and Fire Pension Fund

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. 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 administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the 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 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OP&F for the years ended December 31, 2017, 2016, and 2015, were $906,528, $899,467, and $900,888, respectively, of which $20,623, $12,086, and $20,551, respectively, was allocated to the healthcare plan. For 2017, 90 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Employee Health Benefits

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

The City provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis and are paid 85% by the City. Rates are $339.80 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, 2017, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

Capital Projects:	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
Riverfront Trail Phase V			
Capital Improvement Fund	$10,070	$10,070	$0
Street Fund	246,685	235,738	10,947
	256,755	245,808	10,947
Fire Stations 3 and 4 Roof Replacements			
Capital Improvements Fund	24,732	20,732	4,000
State Route 676 Lancaster Street Improvements			
Street Fund	44,677	44,549	128
2017 City Wide Paving			
Street Fund	498,442	478,666	19,776
Community Development Fund	30,000	30,000	0
	528,442	508,666	19,776
3rd, Warren and Sacra Via Intersection			
Street Fund	12,914	12,914	0
Waste Water Treatment Plant Upgrade			
Sewer Fund	30,557,641	20,894,349	9,663,292
Harmar Lift Station Upgrade			
Sewer Fund	2,413,410	2,276,343	137,067
Water Treatment Plant Upgrade			
Water Fund	260,199	173,608	86,591
Total All Projects	$34,098,770	$24,176,969	$9,921,801

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:

Governmental Funds:	
General	$79,500
Street	131,593
Community Development	3,400
Capital Improvement	135,058
Nonmajor Governmental Funds	24,660
Total Governmental Funds	374,211
Enterprise Funds:	
Water Fund	257,981
Sewer Fund	181,406
Total Enterprise Funds	439,387
Total	$813,598

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2017, were as follows:

	Principal Outstanding 12/31/2016	Additions	Deletions	Principal Outstanding 12/31/2017	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Parking Lot Bonds					
2000 - $190,000 - 5.73%	$56,500	$0	$13,000	$43,500	$13,500
Municipal Court Bonds					
2014 - $2,865,000 - 1.5 - 4.0%	2,490,000	0	120,000	2,370,000	120,000
Premium on Bonds	44,260	0	2,617	41,643	0
Municipal Software Bonds					
2014 - $216,000 - 1.5 - 3.0%	153,000	0	21,000	132,000	21,000
Premium on Bonds	2,939	0	425	2,514	0
Total Bonds	2,746,699	0	157,042	2,589,657	154,500
Notes:					
Street Garage Roof:					
2016 - 1.5%	166,250	0	166,250	0	0
2017 - 2.125%	0	157,500	0	157,500	0
City Hall Renovations:					
2016 - 1.5%	2,560,000	0	2,560,000	0	0
2017 - 2.125%	0	2,465,000	0	2,465,000	0
Administration Building					
2016 - 1.5%	1,253,000	0	1,253,000	0	0
2017 - 2.125%	0	1,183,000	0	1,183,000	0
Asphalt Paving - 2017 - 2.125%	0	90,000	0	90,000	0
Total Notes	3,979,250	3,895,500	3,979,250	3,895,500	0
Net Pension Liability:					
OPERS	5,423,980	1,535,108	0	6,959,088	0
OPF	13,063,507	0	788,282	12,275,225	0
Total Net Pension Liability	18,487,487	1,535,108	788,282	19,234,313	0
Armory Loan - 4.99%	450,000	0	50,000	400,000	50,000
Energy Conservation Loan - 2.7%	63,400	0	63,400	0	0
OPWC Paving Loan - 0%	31,517	5,903	1,247	36,173	1,247
Intergovernmental Payable	10,868	0	2,717	8,151	2,717
Compensated Absences	700,351	111,809	71,582	740,578	2,257
Total Governmental Activities	$26,469,572	$5,548,320	$5,113,520	$26,904,372	$210,721

(continued)

(continued)	Principal Outstanding 12/31/2016	Additions	Deletions	Principal Outstanding 12/31/2017	Amounts Due in One Year
Business-Type Activities:					
General Obligation Bonds:					
Water Refunding Bonds					
2013 - $2,840,000 - 2.0 - 3.0%	$1,830,000	$0	$350,000	$1,480,000	$355,000
Bond Premium	33,048	0	6,722	26,326	0
Water Bonds					
2014 - $2,045,000 - 1.5 - 3.75%	1,775,000	0	85,000	1,690,000	85,000
Bond Premium	31,428	0	1,857	29,571	0
Water Software Bonds					
2014 - $72,000 - 1.5 - 3.0%	51,000	0	7,000	44,000	7,000
Bond Premium	980	0	142	838	0
Sewer Bonds					
2014 - $920,000 - 1.5 - 4.0%	800,000	0	40,000	760,000	40,000
Bond Premium	14,167	0	837	13,330	0
Sewer Software Bonds					
2014 - $72,000 - 1.5 - 3.0%	51,000	0	7,000	44,000	7,000
Bond Premium	980	0	142	838	0
Total Bonds	4,587,603	0	498,700	4,088,903	494,000
Notes:					
Sewer 2016 - 1.5%	81,855	0	81,855	0	0
Sewer 2017 - 2.125%	0	77,000	0	77,000	0
Total Notes	81,855	77,000	81,855	77,000	0
Loans:					
OWDA Loans:					
Sewer Grit					
2002 - $458,437 - 3.89%	189,037	0	26,093	162,944	13,428
Sewer Treatment Plant:					
2011 Phase 1 - $5,684,046 - 3.0%	4,740,312	0	234,235	4,506,077	119,759
2013 Phase 2 - $6,991,940 - 2.38%	5,589,840	0	293,989	5,295,851	149,618
Construction Phase 3:					
2016 Scope - $6,825,175 - 0.57%	308,663	5,485,005	0	5,793,668	104,466
2016 Harmar Lift - $410 - 3.04%	407	3	410	0	0
2016 Muskingum River Forcemain - $1,317,372 - 2.27%	943,418	89,615	15,442	1,017,591	15,617
2017 Scope - $406,810 - 3.35%	0	392,630	0	392,630	0
2016 Harmar Lift - $1,220,557 - 2.05%	69,057	905,514	14,873	959,698	15,026
2017 Meter Replacement - Sewer - $1,004,554 - 2.98%	0	913,351	0	913,351	18,550
Total Sewer OWDA Loans	11,840,734	7,786,118	585,042	19,041,810	436,464
Water Treatment Plant:					
2017 Planning - $282,941 - 3.48%	0	165,707	0	165,707	6,993
2017 Distribution Building - $49,766 - 3.48%	0	49,766	0	49,766	1,223
Waterline Replacements:					
2017 Greene Street and Colegate Drive - $1,892,614 - 3.10%	0	1,800,489	19,344	1,781,145	19,644
2017 Hadley Lane and Sherry Drive - $753,088 - 3.10%	0	730,230	7,697	722,533	7,817
2017 Meter Replacement - Water - $1,004,554 - 2.98%	0	913,351	0	913,351	18,550
Water Tank Painting:					
2017 Ground Storage - $1,222,7772 - 2.88-	0	11,719	0	11,719	0
2017 676 and Harmar - $642,581 - 2.98%	0	634,781	17,144	617,637	17,400
2017 Northhills - $337,372 - 2.98%	0	337,372	9,001	328,371	9,135
Total Water OWDA Loans	0	4,643,415	53,186	4,590,229	80,762
Total OWDA Loans	$11,840,734	$12,429,533	$638,228	$23,632,039	$517,226

(continued)

(continued)	Principal Outstanding 12/31/2016	Additions	Deletions	Principal Outstanding 12/31/2017	Amounts Due in One Year
OPWC Loans:					
1996 Water - $400,000 - 0%	$20,000	$0	$20,000	$0	$0
2004 Water Glendale Tank - $479,936 - 2%	227,469	0	24,807	202,662	12,590
Total Water OPWC Loans	247,469	0	44,807	202,662	12,590
2000 Sewer Sludge Belt Press - $461,023 - 2%	132,985	0	25,549	107,436	12,966
2016 Sewer Treatment Plant - $556,115 - 0%	472,000	16,125	8,135	479,990	8,135
Total Sewer OPWC Loans	604,985	16,125	33,684	587,426	21,101
Total OPWC Loans	852,454	16,125	78,491	790,088	33,691
Net Pension Liability - OPERS:					
Sewer	1,276,231	361,201	0	1,637,432	0
Water	1,276,229	361,201	0	1,637,430	0
Total Net Pension Liability	2,552,460	722,402	0	3,274,862	0
Compensated Absences	217,205	8,731	50,421	175,515	0
Total Business-Type Activities	$20,132,311	$13,253,791	$1,347,695	$32,038,407	$1,044,917

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

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

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

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

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

The Various Purpose Bond Anticipation Notes were issued to finance renovations of City Hall and the administration building, for street garage roof repairs, and paving. The notes were retired and refinanced during May of 2018.

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

The intergovernmental payable consists of amounts owed to Marietta Township for a Cooperative agreement between the City and the Township for a joint paving project thru the Ohio Public Works Commission. The loan from OPWC is in the name of the Township. The City agreed to pay 49.60% of the ten year 0% interest $54,779.11 loan. The total biannual payments are $2,738.96. All payments are being made from the Street Special Revenue Fund.

Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund, which are all general obligations, were obtained to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loans in the Sewer Enterprise Fund, also general obligations, were obtained to help finance the sludge belt press project and the sewer treatment plant upgrade.

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

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

The Bond Anticipation Notes were issued to finance various projects of the wastewater department. The notes were retired and refinanced during May of 2018.

The City has pledged future sewer customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2048. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is $19,065,113. Principal and interest payments for the current year were $754,986, net revenues were $1,243,631, and total revenues were $4,321,392.

The City has pledged future water customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2047. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is $4,668,674. Principal and interest payments for the current year were $69,886, net revenues were $1,223,901, and total revenues were $3,999,368.

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

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2017, are as follows:

	Parking Lot Bonds		Municipal Court Bonds		Software Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	$13,500	$2,492	$120,000	$74,938	$21,000	$3,068
2019	14,500	1,720	125,000	73,138	21,000	2,752
2020	15,500	888	125,000	70,638	21,000	2,332
2021	0	0	125,000	68,137	21,000	1,912
2022	0	0	130,000	65,325	24,000	1,440
2023-2027	0	0	710,000	265,575	24,000	720
2028-2032	0	0	845,000	132,550	0	0
2033	0	0	190,000	7,125	0	0
	$43,500	$5,100	$2,370,000	$757,426	$132,000	$12,224

Principal and interest requirements to retire the Armory and the OPWC Paving Loans at December 31, 2017, are as follows:

	Armory		OPWC
Year	Principal	Interest	Principal
2018	$50,000	$19,960	$1,247
2019	50,000	17,465	2,494
2020	50,000	14,970	2,494
2021	50,000	12,476	2,494
2022	50,000	9,980	2,494
2023-2027	150,000	14,970	12,475
2028-2032	0	0	12,475
	$400,000	$89,821	$36,173

Principal and interest requirements to retire the Water Fund bonds outstanding at December 31, 2017, are as follows:

	Water Refunding Bonds		Water Bonds		Water Software Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	$355,000	$40,850	$85,000	$53,450	$7,000	$1,022
2019	365,000	33,750	85,000	52,175	7,000	918
2020	375,000	22,800	90,000	50,475	7,000	778
2021	385,000	11,550	90,000	48,675	7,000	638
2022	0	0	95,000	46,650	8,000	480
2023-2027	0	0	510,000	189,450	8,000	240
2028-2032	0	0	600,000	94,375	0	0
2033	0	0	135,000	5,062	0	0
	$1,480,000	$108,950	$1,690,000	$540,312	$44,000	$4,076

Principal and interest requirements to retire the Sewer Fund bonds outstanding at December 31, 2017, are as follows:

	Sewer Bonds		Sewer Software Bonds	
Year	Principal	Interest	Principal	Interest
2018	$40,000	$24,000	$7,000	$1,022
2019	40,000	23,400	7,000	918
2020	40,000	22,600	7,000	778
2021	40,000	21,800	7,000	638
2022	40,000	20,900	8,000	480
2023-2027	230,000	85,000	8,000	240
2028-2032	270,000	42,425	0	0
2033	60,000	2,250	0	0
	$760,000	$242,375	$44,000	$4,076

Principal and interest requirements to retire the Water Enterprise Fund loan liabilities at December 31, 2017, are as follows:

	OPWC		OWDA	
	Glendale Tank		North Hills Water Tank	
Year	Principal	Interest	Principal	Interest
2018	$12,590	$2,027	$9,135	$4,893
2019	25,559	3,675	18,681	9,375
2020	26,073	3,160	19,242	8,814
2021	26,597	2,636	19,819	8,237
2022	27,131	2,101	20,415	7,641
2023-2027	84,712	2,989	111,641	28,639
2028-2032	0	0	129,438	10,846
	$202,662	$16,588	$328,371	$78,445

Principal and interest requirements to retire the Sewer Enterprise Fund loan liabilities at December 31, 2017, are as follows:

	OPWC Loans			Sewer Grit OWDA Loan	
	Sludge Belt Press		Sewer Treatment Plant	Sewer	
Year	Principal	Interest	Principal	Principal	Interest
2018	$12,966	$1,074	$8,135	$13,428	$3,169
2019	26,323	1,759	16,270	27,644	5,550
2020	26,853	1,229	16,270	28,730	4,464
2021	27,392	690	16,270	29,859	3,336
2022	13,902	139	16,270	31,032	3,677
2023-2027	0	0	81,355	32,251	3,107
2028-2032	0	0	81,355	0	0
2033-2037	0	0	81,355	0	0
2038-2042	0	0	81,355	0	0
2043-2047	0	0	81,355	0	0
	$107,436	$4,891	$479,990	$162,944	$23,303

On December 7, 2017, the City was approved for a Water Pollution Control Loan from OWDA for $9,582,433 for the waste water treatment plant phase 3,scope 4 project. No draws were made in 2017.

As of December 31, 2017, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $21,608,819.

NOTE 18 - NOTES PAYABLE

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2017, were as follows:

	Principal Outstanding 12/31/16	Additions	Deletions	Principal Outstanding 12/31/17
Governmental Activities:				
2016 Note - 1.5%:				
City Hall Renovations	$95,000	$0	$95,000	$0
Street Garage Roof	8,750	0	8,750	0
Administration Building Renovations	147,000	0	147,000	0
2017 Note - 2.125%:				
City Hall Renovations	0	95,000	0	95,000
Street Garage Roof	0	8,750	0	8,750
Administration Building Renovations	0	70,000	0	70,000
Asphalt Paving	0	10,000	0	10,000
Business-Type Activities:				
2016 Water Note - 1.5%	5,122,500	0	5,122,500	0
2016 Sewer Note - 1.5%	992,315	0	992,315	0
2017 Sewer Note - 2.125%	0	4,855	0	4,855
Total Notes Payable	$6,365,565	$188,605	$6,365,565	$188,605

The notes were issued to finance the renovations of the City Hall, the street garage roof, the administration building, paving, and various sewer projects. The notes will mature on May 11, 2018.

NOTE 19 - INTERFUND TRANSFERS AND BALANCES

A. Balances

Internal Balances – Change in Proportionate Share

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

Eliminations made in the business type activities column include a deferred outflow of resources for the sewer enterprise fund and a deferred inflow of resources for the water enterprise fund in the amount of $8,715.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the business-type activities (related to the water enterprise fund) and deferred inflows of resources for the governmental type activities in the amount of $1,762.

Other Internal Balances

At year end, the Marietta Harbor Capital Projects Fund owed the General Fund $6,890 for advanced grant monies. Also, the Fire Levy Special Revenue Fund owed the General Fund $95,314 for expenditures paid by the General Fund that should have been paid for by the Levy Fund.

B. Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

	Transfer In
Transfer Out	Other Nonmajor Governmental Funds
Major Funds:	
General	$76,513
Capital Improvements	66,288
Other Nonmajor Governmental Funds	154,832
	$297,633

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. The Buckeye Hills Regional Council

The Buckeye Hills Regional Council serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The Council was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The Council is governed by a fifteen member board of directors. The Council is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The City contributed $1,409 to the Council during 2017. The continued existence of the Council is not dependent on the City's continued participation and no equity interest exists.

B. Washington-Morgan Community Action Corporation

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2017, 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 2017, the City of Marietta contributed $3,732. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

NOTE 21 - ENDOWMENTS

The City's permanent funds include donor-restricted endowments. Net Position – Perpetual Care – Non-expendable of $466,966 represents the principal portion of the Cemetery endowment. Net Position – Park – Non-expendable of $711 represents the principal portion of the Park endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body, for purposes consistent with the endowment's intent, is $6,430; and is included as Net Position – Perpetual Care – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to maintain certain cemetery plots and the Cisler Park each year.

NOTE 22 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2017.

B. Litigation

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

NOTE 23 - SUBSEQUENT EVENT

The City retired $188,605 of the $4,161,105 various purpose bond anticipation notes bearing an interest rate of 2.125% on May 11, 2018, and issued new notes for $3,972,500.

City of Marietta, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Plan

Last Four Years (1)

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

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

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

City of Marietta, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability

Ohio Police and Fire Pension Fund

Last Four Years (1)

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

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

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

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

	2017	2016	2015	2014	2013
Contractually Required Contribution	$751,426	$701,005	$685,607	$658,794	$684,307
Contributions in Relation to the Contractually Required Contribution	(751,426)	(701,005)	(685,607)	(658,794)	(684,307)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
City Covered Payroll	$5,780,200	$5,841,708	$5,713,393	$5,489,950	$5,263,897
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

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

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

	2017	2016	2015	2014
Contractually Required Contribution	$885,905	$878,981	$880,336	$845,227
Contributions in Relation to the Contractually Required Contribution	(885,905)	(878,981)	(880,336)	(845,227)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$4,124,587	$4,097,169	$4,110,039	$3,959,279
Contributions as a Percentage of Covered Payroll:	21.48%	21.45%	21.42%	21.35%

2013	2012	2011	2010	2009	2008
$628,970	$556,699	$575,545	$581,179	$543,810	$525,025
(628,970)	(556,699)	(575,545)	(581,179)	(543,810)	(525,025)
$0	$0	$0	$0	$0	$0
$3,459,395	$3,681,244	$3,853,473	$3,798,316	$3,585,856	$3,479,975
18.18%	15.12%	14.94%	15.30%	15.17%	15.09%

Changes in Assumptions - OPERS

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

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

City of Marietta, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Passed Through to Subrecipients	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct from Federal Government:				
Community Development Block Grants/Entitlement Grants	14.218	2017	$ -	$ 264,024
Community Development Block Grants/Entitlement Grants	14.218	2016	-	87,265
Community Development Block Grants/Entitlement Grants	14.218	2015	-	25,150
Community Development Block Grants/Entitlement Grants	14.218	2014	-	35,323
Total Community Development Block Grants/Entitlement Grants			-	411,762
Section 8 Housing Choice Vouchers	14.871	N/A	2,050,171	2,050,171
Shelter Plus Care	14.238	2018	14,480	14,480
Shelter Plus Care	14.238	2017	17,101	17,101
Total Shelter Plus Care			31,581	31,581
Passed through the Ohio Department of Development:				
Home Investment Partnerships Program	14.239	A-C-17-2HT-2	-	142,067
Total U.S. Department of Housing and Urban Development			**2,081,752**	**2,635,581**
U.S. DEPARTMENT OF JUSTICE				
Passed through the Ohio Attorney General's Office:				
Crime Victim Assistance	16.575	2018-VOCA-109858990	-	11,808
Crime Victim Assistance	16.575	2017-VOCA-43560980	-	36,595
Total Crime Victim Assistance			-	48,403
Passed through the Governor's Office of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	2016-WF-VA2-8424	-	52,566
Total U.S. Department of Justice			**-**	**100,969**
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Ohio Department of Transportation				
Highway Planning and Construction (Marietta River Trail Phase 5)	20.205	PID #95320	-	29,156
Highway Planning and Construction (Landslide Repair)	20.205	PID #99479	-	8,615
Total Highway Planning and Construction			-	37,771
Total U.S. Department of Transportation			**-**	**37,771**
Total Federal Financial Assistance			**$ 2,081,752**	**$ 2,774,321**

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Marietta (the City) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

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

NOTE D - MATCHING REQUIREMENTS

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

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

June 29, 2018

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the **City of Marietta**, Washington County, (the "City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2018. We also noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Perry & Associates CPA's A.C.

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

June 29, 2018

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the **City of Marietta's**, (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2017. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the City's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Perry & Associates CPA's A.C.

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

City of Marietta, Ohio
Schedule of Audit Findings
2 CFR § 200.515
For the Year Ended December 31, 2017

1. SUMMARY OF AUDIT RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Section 8 Housing Choice Vouchers CFDA #14.871
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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
SEPTEMBER, 4 2018

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