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PERRY & Associates

Certified Public Accountants, A.C.

**CITY OF MARIETTA
WASHINGTON COUNTY
Single Audit
For the Year Ended December 31, 2014**

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Marietta, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Marietta is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 10, 2015

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City of Marietta, Ohio

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INDEPENDENT AUDITOR'S REPORT

September 25, 2015

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

To the Members of Council:

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the 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 September 25, 2015, 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 and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the City of Marietta's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. 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 2014 are as follows:

- In total, net position increased \$5,513,049. Net position of governmental activities increased \$4,238,615. The business-type activities also increased \$1,274,434.
- General governmental revenues accounted for \$12,511,304 in revenue or 52% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$11,661,534 or 48% of total revenues of \$24,172,838.

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 2014?" 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.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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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 13. 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 Special Revenue Fund; 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 2014 compared to 2013.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$ 10,135,576	\$ 10,463,802	\$ 9,813,598	\$ 8,780,017	\$ 19,949,174	\$ 19,243,819
Capital Assets, Net	36,072,417	30,236,583	23,990,397	20,262,913	60,062,814	50,499,496
<i>Total Assets</i>	<u>46,207,993</u>	<u>40,700,385</u>	<u>33,803,995</u>	<u>29,042,930</u>	<u>80,011,988</u>	<u>69,743,315</u>
Liabilities						
Current and Other Liabilities	2,891,756	2,514,466	852,164	1,629,504	3,743,920	4,143,970
Long-term Liabilities						
Due Within One Year	258,531	100,057	869,970	557,053	1,128,501	657,110
Due in More Than One Year	6,617,688	5,885,538	19,341,861	15,390,807	25,959,549	21,276,345
<i>Total Liabilities</i>	<u>9,767,975</u>	<u>8,500,061</u>	<u>21,063,995</u>	<u>17,577,364</u>	<u>30,831,970</u>	<u>26,077,425</u>
Deferred Inflows of Resources						
Property Taxes	498,129	497,050	-	-	498,129	497,050
Net Position						
Net Investment in Capital Assets	29,080,648	25,769,825	5,488,923	4,917,720	34,569,571	30,687,545
Restricted	5,805,231	4,961,299	-	-	5,805,231	4,961,299
Unrestricted	1,056,010	972,150	7,251,077	6,547,846	8,307,087	7,519,996
<i>Total Net Position</i>	<u>\$ 35,941,889</u>	<u>\$ 31,703,274</u>	<u>\$ 12,740,000</u>	<u>\$ 11,465,566</u>	<u>\$ 48,681,889</u>	<u>\$ 43,168,840</u>

Total assets increased \$10,268,673. Governmental activities increased \$5,507,608, as well as the business-type activities by \$4,761,065. Total liabilities increased \$4,754,545. Governmental activities increased \$1,267,914 along with the business-type activities of \$3,486,631.

For governmental activities, the municipal income tax receivable increased \$371,191 along with intergovernmental receivables of \$554,879. The City recorded a \$438,604 receivable for ARC grants that it did not record in the previous year. Capital assets also increased \$5,835,834 due mainly to construction in progress additions for the City Hall renovation and street projects. Offsetting these, the equity in pooled cash and cash equivalents decreased \$1,333,977. Current liabilities increased \$377,290 mainly in the area of contracts payable. Long-term liabilities increased \$890,624 due to the issuance of more debt for various City projects.

For business-type activities, equity in pooled cash and cash equivalents increased \$983,825 and capital assets also increased \$3,727,484. Current liabilities decreased \$777,340 as most categories reported small increases and decreases. Most notably, contracts payable decreased \$227,530. Long-term liabilities increased \$4,263,971 due mainly from the issuance of OWDA loans for the waste water treatment plant upgrade. The Sewer OWDA loans liability increased \$2,564,843.

Table 2 shows the changes in net position for the year ended December 31, 2014, and comparisons to 2013.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 2)
 Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$ 3,403,933	\$ 3,350,273	\$ 7,435,791	\$ 6,586,943	\$ 10,839,724	\$ 9,937,216
Operating Grants, Contributions and Interest	3,302,856	3,548,051	-	-	3,302,856	3,548,051
Capital Grants and Contributions	4,954,745	2,050,484	271,487	66,422	5,226,232	2,116,906
Total Program Revenues	11,661,534	8,948,808	7,707,278	6,653,365	19,368,812	15,602,173
General Revenues						
Property Taxes	549,330	520,901	-	-	549,330	520,901
Income Taxes	10,009,031	9,022,485	-	-	10,009,031	9,022,485
Payments in Lieu of Taxes	104,174	100,187	-	-	104,174	100,187
Hotel Tax	574,879	448,582	-	-	574,879	448,582
Franchise Taxes	211,639	214,054	-	-	211,639	214,054
Grants and Entitlements	338,900	679,267	-	-	338,900	679,267
Gain on Sale of Capital Assets	12,355	37,904	4,602	19,000	16,957	56,904
Investment Earnings	40,696	62,554	-	72,164	40,696	134,718
Other	670,300	293,324	118,022	66,442	788,322	359,766
Total General Revenues	12,511,304	11,379,258	122,624	157,606	12,633,928	11,536,864
Total Revenues	24,172,838	20,328,066	7,829,902	6,810,971	32,002,740	27,139,037
Program Expenses						
General Government:						
Legislative and Executive	4,174,428	3,948,401	-	-	4,174,428	3,948,401
Court	1,365,622	1,077,172	-	-	1,365,622	1,077,172
Security of Persons and Property:						
Police	3,595,906	3,521,412	-	-	3,595,906	3,521,412
Fire	3,736,109	3,614,298	-	-	3,736,109	3,614,298
Public Health Services	939,461	901,626	-	-	939,461	901,626
Community Environment	361,020	514,608	-	-	361,020	514,608
Intergovernmental	1,878,174	1,861,814	-	-	1,878,174	1,861,814
Street	3,140,710	2,580,991	-	-	3,140,710	2,580,991
Transportation	13,931	10,653	-	-	13,931	10,653
Leisure Time Activities	616,711	605,056	-	-	616,711	605,056
Interest and Fiscal Charges	112,151	78,368	-	-	112,151	78,368
Sewer	-	-	3,041,877	2,925,372	3,041,877	2,925,372
Water	-	-	3,513,591	3,616,728	3,513,591	3,616,728
Total Program Expenses	19,934,223	18,714,399	6,555,468	6,542,100	26,489,691	25,256,499
Increase in Net Position	4,238,615	1,613,667	1,274,434	268,871	5,513,049	1,882,538
Net Position Beginning of Year	31,703,274	30,089,607	11,465,566	11,196,695	43,168,840	41,286,302
Net Position End of Year	\$ 35,941,889	\$ 31,703,274	\$ 12,740,000	\$ 11,465,566	\$ 48,681,889	\$ 43,168,840

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. Incomes taxes reported an increase of \$986,546 for 2014. The income tax rate is 1.7 percent. The City monitors this revenue source very closely for fluctuations because it represents 41 percent of all revenues in the governmental activities.

City of Marietta, Ohio
Management's Discussion and Analysis
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Intergovernmental revenues (operating and capital grants) and contributions accounted for 71 percent of all program revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage, the better in regards to independence.

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

Security of persons and property is another major activity of the City, generating 37% of the governmental expenses. During 2014, expenses for police and fire operations amounted to \$3,595,906 and \$3,736,109, respectively. Expenses in these programs increased \$196,305 from 2013. 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 16% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2014 amounted to \$3,140,710, an increase of \$559,719 from 2013.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2014, the City collected \$848,848 more in charges for services over the previous year but only spent \$13,368 more.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,319,469 and expenditures of \$26,137,771.

The fund balance of the General Fund increased \$25,702. The General Fund's Unassigned Fund Balance of \$1,655,347 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 \$687,602. The Street Fund's Restricted Fund Balance of \$857,881 represented 13% of current year expenditures.

The fund balance of the Capital Improvement Fund decreased \$1,245,753. The Fund has a restricted fund balance of \$1,031,240.

During 2014, the Sewer Fund had operating revenues of \$3,709,802 and operating expenses of \$2,714,998. The Water Fund had operating revenues of \$3,830,810 and operating expenses of \$3,327,402. The major operating expenses for these funds are salaries and wages, contractual services, and depreciation on capital assets.

General Fund Budgeting Highlights

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

City of Marietta, Ohio
Management's Discussion and Analysis
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During the course of 2014, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council. All recommendations for a budget change are given to the City Auditor, who processes them when there are sufficient resources to make such a change, and are then sent to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. Most of the expenditure changes are presented to the City Auditor by the Administration.

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

Original budgeted revenues were increased \$152,774. Charges for services, fines, intergovernmental revenues, and other revenues were increased. The original appropriations were increased \$627,558. All programs were increased except debt service.

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

Capital Assets and Debt Administration

Capital Assets

Note 11 (Capital Assets) provides capital asset activity during 2014. Table 3 shows year 2014 balances compared to 2013.

(Table 3)
 Capital Assets at December 31, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013 *	2014	2013 *	2014	2013 *
Land	\$ 1,231,784	\$ 1,231,784	\$ 447,100	\$ 447,100	\$ 1,678,884	\$ 1,678,884
Buildings and Improvements	9,031,415	9,758,742	127,742	131,832	9,159,157	9,890,574
Machinery and Equipment	1,263,463	1,378,060	549,550	512,861	1,813,013	1,890,921
Vehicles	1,255,892	1,599,714	180,361	115,396	1,436,253	1,715,110
Infrastructure	10,617,579	9,562,133	8,657,676	8,140,507	19,275,255	17,702,640
Construction in Progress	12,672,284	6,706,150	14,027,968	10,915,217	26,700,252	17,621,367
Totals	\$ 36,072,417	\$ 30,236,583	\$ 23,990,397	\$ 20,262,913	\$ 60,062,814	\$ 50,499,496

* Reclassifications of capital assets were made to agree amounts to the City's accounting system.

Debt

The City's overall debt limit at December 31, 2014, is \$21,022,837. Additional information on the City's debt can be found in Notes 17 and 18 of this report. Table 4 below is a summary of the City's debt obligations:

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
2000 Parking Lot Bonds	\$ 80,500	\$ 91,500	\$ -	\$ -
2014 Municipal Court Bonds	2,720,000	-	-	-
2014 Municipal Software Bonds	195,000	-	130,000	-
1999 Third Street Paving OPWC Loan	-	9,774	-	-
Capital Facilities Bond				
Anticipation Notes:				
Short-term	95,000	180,000	-	-
Long-term	2,896,600	4,890,000	-	-
Water Bond Anticipation Notes:				
Short-term	-	-	10,000	561,000
Long-term	-	-	1,576,000	2,104,000
Sewer Bond Anticipation Notes:				
Short-term	-	-	44,815	59,000
Long-term	-	-	591,485	984,000
Energy Conservation Loan	185,200	243,700	-	-
2013 Water Refunding Bonds	-	-	2,510,000	2,840,000
2014 Water Bonds	-	-	1,940,000	-
2014 Sewer Bonds	-	-	875,000	-
Sewer OWDA Loans	-	-	11,792,916	9,227,893
Water OPWC Loans	-	-	357,371	378,998
Sewer OPWC Loan	-	-	194,676	206,650
Totals	\$ 6,172,300	\$ 5,414,974	\$20,022,263	\$16,361,541

Current Financial Issues

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

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

Income tax revenues have increased in 2014, as they have for the past three years. Income tax revenues comprise over 64% of the total revenue for the General Fund and over 41% of governmental activities revenues.

Contacting the City Auditor's Department

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

City of Marietta, Ohio
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 5,122,990	\$ 8,072,779	\$13,195,769
Cash and Cash Equivalents in Segregated Accounts	87,163	224,130	311,293
Cash and Cash Equivalents with Fiscal Agents	-	410	410
Investments	315,434	100,000	415,434
Hotel Taxes Receivable	36,143	-	36,143
Permissive Motor Vehicle License Receivable	2,737	-	2,737
Accounts Receivable	110,757	1,211,767	1,322,524
Payments in Lieu of Taxes Receivable	106,338	-	106,338
Accrued Interest Receivable	2,049	-	2,049
Intergovernmental Receivable	2,367,496	17,964	2,385,460
Municipal Income Tax Receivable	1,262,403	-	1,262,403
Loans Receivable	7,253	-	7,253
Materials and Supplies Inventory	86,153	106,623	192,776
Prepaid Items	92,387	79,925	172,312
Property Taxes Receivable	536,273	-	536,273
Non-Depreciable Capital Assets	13,904,068	14,475,068	28,379,136
Depreciable Capital Assets, Net	22,168,349	9,515,329	31,683,678
<i>Total Assets</i>	46,207,993	33,803,995	80,011,988
Liabilities			
Accounts Payable	224,013	106,249	330,262
Contracts Payable	897,386	90,474	987,860
Accrued Wages Payable	311,997	87,565	399,562
Retainage Payable	52,538	-	52,538
Accrued Interest Payable	31,592	35,156	66,748
Intergovernmental Payable	399,672	75,856	475,528
Vacation and Compensatory Benefits Payable	879,558	192,189	1,071,747
Customer Deposits Payable	-	209,860	209,860
Notes Payable	95,000	54,815	149,815
Long-Term Liabilities:			
Due Within One Year	258,531	869,970	1,128,501
Due In More Than One Year	6,617,688	19,341,861	25,959,549
<i>Total Liabilities</i>	9,767,975	21,063,995	30,831,970
Deferred Inflows of Resources			
Property Taxes	498,129	-	498,129
Net Position			
Net Investment in Capital Assets	29,080,648	5,488,923	34,569,571
Restricted for:			
Street	1,964,095	-	1,964,095
Cemetery	27,547	-	27,547
Community Development	879,288	-	879,288
Fire Operations	330,953	-	330,953
Police Operations	147,939	-	147,939
Court Operations	333,061	-	333,061
Recreation	4,774	-	4,774
Health	94,065	-	94,065
Capital Projects	1,514,411	-	1,514,411
Perpetual Care:			
Expendable	2,589	-	2,589
Non-expendable	457,541	-	457,541
Park - Non-expendable	750	-	750
Unclaimed Monies	14,844	-	14,844
Other Purposes	33,374	-	33,374
Unrestricted	1,056,010	7,251,077	8,307,087
<i>Total Net Position</i>	\$35,941,889	\$ 12,740,000	\$48,681,889

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government:							
Legislative and Executive	\$ 4,174,428	\$ 979,844	\$ 108,628	\$ 109,321	\$ (2,976,635)	\$ -	\$ (2,976,635)
Court	1,365,622	1,075,735	207,648	-	(82,239)	-	(82,239)
Security of Persons and Property:							
Police	3,595,906	70,131	8,944	-	(3,516,831)	-	(3,516,831)
Fire	3,736,109	499,146	129	-	(3,236,834)	-	(3,236,834)
Public Health Services	939,461	320,211	40,902	-	(578,348)	-	(578,348)
Community Environment	361,020	-	349,923	-	(11,097)	-	(11,097)
Intergovernmental	1,878,174	-	1,878,174	-	-	-	-
Street	3,140,710	43,754	707,508	4,840,649	2,451,201	-	2,451,201
Transportation	13,931	60,873	-	-	46,942	-	46,942
Leisure Time Activities	616,711	354,239	1,000	4,775	(256,697)	-	(256,697)
Interest and Fiscal Charges	112,151	-	-	-	(112,151)	-	(112,151)
Total Governmental Activities	19,934,223	3,403,933	3,302,856	4,954,745	(8,272,689)	-	(8,272,689)
Business-Type Activities							
Sewer	3,041,877	3,675,448	-	271,487	-	905,058	905,058
Water	3,513,591	3,760,343	-	-	-	246,752	246,752
Total Business-Type Activities	6,555,468	7,435,791	-	271,487	-	1,151,810	1,151,810
Total	26,489,691	10,839,724	3,302,856	5,226,232	(8,272,689)	1,151,810	(7,120,879)
General Revenues							
Property Taxes Levied for:							
General Purposes					533,088	-	533,088
Debt Service					16,242	-	16,242
Income Taxes Levied for:							
General Purposes					7,203,017	-	7,203,017
Street					1,122,405	-	1,122,405
Fire Operations					1,122,405	-	1,122,405
Capital Outlay					561,204	-	561,204
Payments in Lieu of Taxes					104,174	-	104,174
Hotel Tax					574,879	-	574,879
Franchise Taxes					211,639	-	211,639
Grants and Entitlements not Restricted to Specific Programs					338,900	-	338,900
Gain on Sale of Capital Assets					12,355	4,602	16,957
Investment Earnings					40,696	-	40,696
Premium on Notes Issued					17,770	13,201	30,971
Insurance Recoveries					52,416	-	52,416
Other					600,114	104,821	704,935
Total General Revenues					12,511,304	122,624	12,633,928
Change in Net Position					4,238,615	1,274,434	5,513,049
Net Position Beginning of Year					31,703,274	11,465,566	43,168,840
Net Position End of Year					\$ 35,941,889	\$ 12,740,000	\$ 48,681,889

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Balance Sheet
Governmental Funds
December 31, 2014

	General	Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,697,389	\$ 695,299	\$ 1,129,229	\$ 1,586,229	\$ 5,108,146
Cash and Cash Equivalents in Segregated Accounts	46,329	-	-	40,834	87,163
Restricted Cash	14,844	-	-	-	14,844
Investments	-	-	-	315,434	315,434
Receivables:					
Hotel Taxes	36,143	-	-	-	36,143
Permissive Motor Vehicle License Accounts	-	2,737	-	-	2,737
Payments in Lieu of Taxes	73,815	2,267	-	34,675	110,757
Accrued Interest	-	-	-	106,338	106,338
Interfund	1,519	72	-	458	2,049
Municipal Income Tax	6,890	-	-	-	6,890
Loans	908,801	141,440	70,722	141,440	1,262,403
Property Taxes	-	-	-	7,253	7,253
Intergovernmental	520,161	-	-	16,112	536,273
Materials and Supplies Inventory	223,414	1,231,099	10,990	901,993	2,367,496
Prepaid Items	28,086	58,067	-	-	86,153
	71,174	7,587	-	13,626	92,387
Total Assets	<u>3,628,565</u>	<u>2,138,568</u>	<u>1,210,941</u>	<u>3,164,392</u>	<u>10,142,466</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	207,462	6,431	-	10,120	224,013
Contracts Payable	-	881,195	16,191	-	897,386
Accrued Wages Payable	240,080	24,857	-	47,060	311,997
Retainage Payable	-	2,538	50,000	-	52,538
Accrued Interest Payable	-	-	756	-	756
Intergovernmental Payable	318,544	21,830	-	59,298	399,672
Interfund Payable	-	-	-	6,890	6,890
Notes Payable	-	-	95,000	-	95,000
Total Liabilities	<u>766,086</u>	<u>936,851</u>	<u>161,947</u>	<u>123,368</u>	<u>1,988,252</u>
Deferred Inflows of Resources					
Property Taxes	482,017	-	-	16,112	498,129
Unavailable Revenue	320,021	278,182	17,754	780,317	1,396,274
Total Deferred Inflows of Resources	<u>802,038</u>	<u>278,182</u>	<u>17,754</u>	<u>796,429</u>	<u>1,894,403</u>
Fund Balances					
Nonspendable	114,104	65,654	-	471,917	651,675
Restricted	-	857,881	1,031,240	1,714,423	3,603,544
Committed	8,275	-	-	64,992	73,267
Assigned	282,715	-	-	-	282,715
Unassigned	1,655,347	-	-	(6,737)	1,648,610
Total Fund Balances	<u>2,060,441</u>	<u>923,535</u>	<u>1,031,240</u>	<u>2,244,595</u>	<u>6,259,811</u>
Total Liabilities and Fund Balances	<u>\$ 3,628,565</u>	<u>\$ 2,138,568</u>	<u>\$ 1,210,941</u>	<u>\$ 3,164,392</u>	<u>\$ 10,142,466</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014*

Total Governmental Fund Balances \$ 6,259,811

***Amounts reported for governmental activities in the
 statement of net position are different because***

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 36,072,417

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

Investment Earnings	243	
Delinquent Property Taxes	38,144	
Charges for Services	24,553	
Municipal Income Tax	139,795	
Payments in Lieu of Taxes	106,338	
Other Revenues	67,177	
Intergovernmental Revenues	1,020,024	
Total		1,396,274

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

Bonds Payable	(3,048,781)	
Accrued Interest Payable	(30,836)	
Loans Payable	(185,200)	
Notes Payable	(2,896,600)	
Intergovernmental Payable	(51,481)	
Compensated Absences Payable - Sick Leave	(694,157)	
Vacation and Compensatory Benefits Payable	(879,558)	
Total		(7,786,613)

Net Position of Governmental Activities **\$ 35,941,889**

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, 2014

	General	Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 541,353	\$ -	\$ -	\$ 16,242	\$ 557,595
Hotel Tax	574,879	-	-	-	574,879
Permissive Motor Vehicle License	-	33,200	-	-	33,200
Municipal Income Tax	7,204,644	1,122,187	561,095	1,122,187	10,010,113
Payments in Lieu of Taxes	-	-	-	54,061	54,061
Charges for Services	1,293,014	10,554	-	854,677	2,158,245
Fines, Licenses and Permits	622,751	-	-	586,124	1,208,875
Franchise Taxes	211,639	-	-	-	211,639
Intergovernmental	480,593	5,823,118	5,879	2,542,490	8,852,080
Investment Earnings	40,696	908	-	8,837	50,441
Donations	-	-	-	9,608	9,608
Rent	28,048	-	-	-	28,048
Other	179,120	309,481	32,904	49,180	570,685
Total Revenues	11,176,737	7,299,448	599,878	5,243,406	24,319,469
Expenditures					
Current:					
General Government:					
Legislative and Executive	3,891,088	-	-	56,117	3,947,205
Court	866,431	-	-	392,771	1,259,202
Security of Persons and Property:					
Police	3,460,966	-	-	80,563	3,541,529
Fire	2,250,580	-	-	1,281,638	3,532,218
Public Health Services	434,414	-	-	474,604	909,018
Community Environment	-	-	-	357,394	357,394
Street	-	6,601,974	-	-	6,601,974
Transportation	-	-	-	5,145	5,145
Leisure Time Activities	-	-	-	330,392	330,392
Capital Outlay	-	-	2,867,350	362,545	3,229,895
Intergovernmental	-	-	-	1,878,174	1,878,174
Debt Service:					
Principal Retirement	58,500	9,774	-	177,000	245,274
Current Refunding	-	-	95,000	-	95,000
Issuance Costs	-	-	31,629	50,528	82,157
Interest and Fiscal Charges	6,580	98	31,368	85,148	123,194
Total Expenditures	10,968,559	6,611,846	3,025,347	5,532,019	26,137,771
Excess of Revenues Over (Under) Expenditures	208,178	687,602	(2,425,469)	(288,613)	(1,818,302)
Other Financing Sources (Uses)					
Premium on Bonds Issued	-	-	-	55,308	55,308
Premium on Notes Issued	-	-	-	17,770	17,770
Bonds Issued	-	-	826,245	2,254,755	3,081,000
Notes Issued	-	-	2,896,600	-	2,896,600
Proceeds from Sale of Capital Assets	-	-	14,452	-	14,452
Current Refunding	-	-	(2,554,411)	(2,240,589)	(4,795,000)
Insurance Recoveries	5,679	-	46,737	-	52,416
Transfers In	-	-	-	350,180	350,180
Transfers Out	(188,155)	-	(49,907)	(112,118)	(350,180)
Total Other Financing Sources (Uses)	(182,476)	-	1,179,716	325,306	1,322,546
Net Change in Fund Balances	25,702	687,602	(1,245,753)	36,693	(495,756)
Fund Balances Beginning of Year	2,034,739	235,933	2,276,993	2,207,902	6,755,567
Fund Balances End of Year	\$ 2,060,441	\$ 923,535	\$ 1,031,240	\$ 2,244,595	\$ 6,259,811

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, 2014*

Net Change in Fund Balances - Total Governmental Funds \$ (495,756)

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	7,961,213	
Depreciation	<u>(2,123,282)</u>	
Excess of Capital Outlay over Depreciation Expense		5,837,931

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

Proceeds from Sale of Capital Assets	(14,452)	
Gain on Sale of Capital Assets	<u>12,355</u>	(2,097)

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

Investment Earnings	(2,033)	
Delinquent Property Taxes	(8,265)	
Charges for Services	(24,435)	
Municipal Income Tax	(1,082)	
Payments in Lieu of Taxes	50,113	
Other Revenues	29,429	
Intergovernmental Revenues	<u>(272,899)</u>	
Total		(229,172)

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	2,027	
Accrued Interest Payable	<u>9,016</u>	
Total		11,043

Bond 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:

Bonds	(3,081,000)	
Premium on Bonds	(55,308)	
Notes	<u>(2,896,600)</u>	
Total		(6,032,908)

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	177,000	
Notes	4,890,000	
Loans	<u>68,274</u>	
Total		5,135,274

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

Intergovernmental Payable	20,306	
Vacation and Compensatory Benefits Payable	9,317	
Compensated Absences Payable - Sick Leave	<u>(15,323)</u>	
Total		<u>14,300</u>

Change in Net Position of Governmental Activities **\$ 4,238,615**

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, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 513,000	\$ 513,000	\$ 541,353	\$ 28,353
Hotel Tax	425,000	425,000	564,246	139,246
Municipal Income Tax	6,621,222	6,621,222	6,932,515	311,293
Charges for Services	1,284,280	1,291,228	1,287,880	(3,348)
Fines, Licenses and Permits	585,629	585,726	614,448	28,722
Franchise Tax	215,000	215,000	211,263	(3,737)
Intergovernmental	538,124	565,320	499,628	(65,692)
Investment Earnings	30,000	30,000	39,748	9,748
Rent	31,000	31,000	28,048	(2,952)
Other	154,282	272,815	179,148	(93,667)
<i>Total Revenues</i>	<u>10,397,537</u>	<u>10,550,311</u>	<u>10,898,277</u>	<u>347,966</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,869,035	4,216,642	3,918,993	297,649
Court	910,299	924,166	868,415	55,751
Security of Persons and Property:				
Police	3,445,535	3,592,754	3,519,450	73,304
Fire	2,146,662	2,258,393	2,251,563	6,830
Public Health Services	463,639	470,773	441,184	29,589
Debt Service:				
Principal	58,500	58,500	58,500	-
Interest and Fiscal Charges	6,580	6,580	6,580	-
<i>Total Expenditures</i>	<u>10,900,250</u>	<u>11,527,808</u>	<u>11,064,685</u>	<u>463,123</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(502,713)</u>	<u>(977,497)</u>	<u>(166,408)</u>	<u>811,089</u>
Other Financing Sources (Uses)				
Insurance Proceeds	-	-	5,679	5,679
Advances In	100,000	100,000	100,000	-
Transfers Out	(188,155)	(188,155)	(188,155)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(88,155)</u>	<u>(88,155)</u>	<u>(82,476)</u>	<u>5,679</u>
<i>Net Change in Fund Balance</i>	(590,868)	(1,065,652)	(248,884)	816,768
<i>Fund Balance Beginning of Year</i>	1,782,662	1,782,662	1,782,662	-
Prior Year Encumbrances Appropriated	66,506	66,506	66,506	-
<i>Fund Balance End of Year</i>	<u>\$ 1,258,300</u>	<u>\$ 783,516</u>	<u>\$ 1,600,284</u>	<u>\$ 816,768</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Permissive Motor Vehicle License Tax	\$ 60,000	\$ 60,000	\$ 33,307	\$ (26,693)
Municipal Income Tax	1,031,511	1,031,511	1,079,971	48,460
Charges for Services	11,242	13,050	18,554	5,504
Intergovernmental	3,707,709	5,069,417	5,019,415	(50,002)
Investment Earnings	1,500	1,500	781	(719)
Other	178,007	206,625	307,266	100,641
<i>Total Revenues</i>	<u>4,989,969</u>	<u>6,382,103</u>	<u>6,459,294</u>	<u>77,191</u>
Expenditures				
Current:				
Street	5,107,671	6,453,497	6,269,089	184,408
Debt Service:				
Principal Retirement	9,774	9,774	9,774	-
Interest and Fiscal Charges	98	98	98	-
<i>Total Expenditures</i>	<u>5,117,543</u>	<u>6,463,369</u>	<u>6,278,961</u>	<u>184,408</u>
<i>Net Change in Fund Balance</i>	(127,574)	(81,266)	180,333	261,599
<i>Fund Balance Beginning of Year</i>	244,806	244,806	244,806	-
Prior Year Encumbrances Appropriated	112,364	112,364	112,364	-
<i>Fund Balance End of Year</i>	<u>\$ 229,596</u>	<u>\$ 275,904</u>	<u>\$ 537,503</u>	<u>\$ 261,599</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2014

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$ 5,273,928	\$ 2,689,871	\$ 7,963,799
Cash and Cash Equivalents in Segregated Accounts	100,522	122,728	223,250
Cash and Cash Equivalents with Fiscal Agents	-	410	410
Accounts Receivable	589,471	622,296	1,211,767
Intergovernmental Receivable	9,008	8,956	17,964
Materials and Supplies Inventory	7,635	98,988	106,623
Restricted Assets:			
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	53,400	55,580	108,980
Cash and Cash Equivalents in Segregated Accounts	431	449	880
Investments	49,000	51,000	100,000
Prepaid Items	37,421	42,504	79,925
<i>Total Current Assets</i>	<u>6,120,816</u>	<u>3,692,782</u>	<u>9,813,598</u>
Noncurrent:			
Non-Depreciable Capital Assets	13,992,398	482,670	14,475,068
Depreciable Capital Assets, Net	5,231,595	4,283,734	9,515,329
<i>Total Noncurrent Assets</i>	<u>19,223,993</u>	<u>4,766,404</u>	<u>23,990,397</u>
<i>Total Assets</i>	<u>25,344,809</u>	<u>8,459,186</u>	<u>33,803,995</u>
Liabilities			
Current:			
Accounts Payable	60,676	45,573	106,249
Contracts Payable	89,974	500	90,474
Accrued Wages Payable	43,541	44,024	87,565
Retainage Payable	-	-	-
Intergovernmental Payable	37,071	38,785	75,856
Vacation and Compensatory Benefits Payable	79,984	112,205	192,189
Accrued Interest Payable	9,262	25,894	35,156
Notes Payable	44,815	10,000	54,815
Compensated Absences Payable	543	543	1,086
Refunding Bonds Payable	-	335,000	335,000
General Obligation Bonds Payable	42,000	87,000	129,000
Issue II Loans Payable	24,309	43,603	67,912
OWDA Loans Payable	336,972	-	336,972
Customer Deposits Payable from Restricted Assets	102,831	107,029	209,860
<i>Total Current Liabilities</i>	<u>871,978</u>	<u>850,156</u>	<u>1,722,134</u>
Long-Term:			
Compensated Absences Payable	16,667	126,627	143,294
Notes Payable	591,485	1,576,000	2,167,485
Refunding Bonds Payable	-	2,221,491	2,221,491
General Obligation Bonds Payable	915,105	1,954,407	2,869,512
Issue II Loans Payable	170,367	313,768	484,135
OWDA Loans Payable	11,455,944	-	11,455,944
<i>Total Long-Term Liabilities</i>	<u>13,149,568</u>	<u>6,192,293</u>	<u>19,341,861</u>
<i>Total Liabilities</i>	<u>14,021,546</u>	<u>7,042,449</u>	<u>21,063,995</u>
Net Position			
Net Investment in Capital Assets	6,056,361	(567,438)	5,488,923
Unrestricted	5,266,902	1,984,175	7,251,077
<i>Total Net Position</i>	<u>\$ 11,323,263</u>	<u>\$ 1,416,737</u>	<u>\$ 12,740,000</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2014*

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$ 3,675,448	\$3,760,343	\$ 7,435,791
Other Operating Revenues	34,354	70,467	104,821
<i>Total Operating Revenues</i>	<u>3,709,802</u>	<u>3,830,810</u>	<u>7,540,612</u>
Operating Expenses			
Salaries and Wages	933,316	949,182	1,882,498
Fringe Benefits	518,186	530,176	1,048,362
Contractual Services	931,529	1,047,328	1,978,857
Materials and Supplies	206,997	350,917	557,914
Other Operating Expenses	39,076	23,092	62,168
Depreciation	85,894	426,707	512,601
<i>Total Operating Expenses</i>	<u>2,714,998</u>	<u>3,327,402</u>	<u>6,042,400</u>
<i>Operating Income</i>	<u>994,804</u>	<u>503,408</u>	<u>1,498,212</u>
Non-Operating Revenues (Expenses)			
Investment Earnings	3,780	9,421	13,201
Gain on Sale of Capital Assets	4,602	-	4,602
Interest and Fiscal Charges	(302,639)	(131,173)	(433,812)
Bond Issuance Costs	(24,240)	(55,016)	(79,256)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(318,497)</u>	<u>(176,768)</u>	<u>(495,265)</u>
Income before Contributions	676,307	326,640	1,002,947
Capital Contributions	271,487	-	271,487
<i>Change in Net Position</i>	947,794	326,640	1,274,434
<i>Net Position Beginning of Year</i>	<u>10,375,469</u>	<u>1,090,097</u>	<u>11,465,566</u>
<i>Net Position End of Year</i>	<u>\$ 11,323,263</u>	<u>\$1,416,737</u>	<u>\$ 12,740,000</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014

	Sewer	Water	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 3,658,427	\$ 3,742,759	\$ 7,401,186
Cash Payments for Employee Services and Benefits	(1,449,659)	(1,494,912)	(2,944,571)
Cash Payments to Suppliers for Goods and Services	(1,124,025)	(1,588,876)	(2,712,901)
Other Operating Revenues	29,331	58,650	87,981
Other Operating Expenses	(49,549)	(23,787)	(73,336)
Customer Deposits Received	18,110	18,850	36,960
Customer Deposits Returned	(19,600)	(20,400)	(40,000)
<i>Net Cash Provided by Operating Activities</i>	<u>1,063,035</u>	<u>692,284</u>	<u>1,755,319</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(3,236,968)	(754,328)	(3,991,296)
Proceeds from Sale of Capital Assets	10,015	-	10,015
Proceeds of General Obligation Bonds	992,000	2,117,000	3,109,000
Bond Issuance Costs	(24,240)	(55,016)	(79,256)
Proceeds from Sale of Bond Anticipation Notes	636,300	1,586,000	2,222,300
Loan Proceeds	3,090,898	-	3,090,898
Principal Paid on Debt	(1,632,849)	(3,128,627)	(4,761,476)
Interest Paid on Debt	(302,408)	(140,731)	(443,139)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(467,252)</u>	<u>(375,702)</u>	<u>(842,954)</u>
Cash Flows from Investing Activities:			
Investment Earnings	<u>21,537</u>	<u>47,161</u>	<u>68,698</u>
<i>Net Increase in Cash and Cash Equivalents</i>	617,320	363,743	981,063
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,810,961</u>	<u>2,505,295</u>	<u>7,316,256</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 5,428,281</u>	<u>\$ 2,869,038</u>	<u>\$ 8,297,319</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
<i>Operating Income</i>	\$ 994,804	\$ 503,408	\$ 1,498,212
Adjustments:			
Depreciation	85,894	426,707	512,601
(Increase)/Decrease in Assets:			
Accounts Receivable	(16,856)	(24,242)	(41,098)
Intergovernmental Receivable	(5,188)	(5,159)	(10,347)
Materials and Supplies Inventory	7,275	(8,897)	(1,622)
Prepaid Items	551	(2)	549
Increase/(Decrease) in Liabilities:			
Accounts Payable	1,759	3,827	5,586
Contract Payable	-	(188,022)	(188,022)
Accrued Wages Payable	3,781	2,873	6,654
Intergovernmental Payable	(11,509)	(8,115)	(19,624)
Vacation and Compensatory Benefits Payable	6,018	(1,821)	4,197
Customer Deposits Payable	(1,490)	(1,550)	(3,040)
Compensated Absences Payable	(2,004)	(6,723)	(8,727)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,063,035</u>	<u>\$ 692,284</u>	<u>\$ 1,755,319</u>

Noncash Capital Financing Activity:

During 2014, the City acquired the State Route 7 North Commerce Park Sewer Lift Station from the Southeastern Ohio Port Authority valued at \$271,487. It is reported as a capital contribution.

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

Assets

Cash and Cash Equivalents in Segregated Accounts	\$ 93,676
Hotel Taxes Receivable	27,129
Accounts Receivable	<u>1,303,959</u>

Total Assets 1,424,764

Liabilities

Intergovernmental Payable	100,091
Due to Others	<u>1,324,673</u>

Total Liabilities \$ 1,424,764

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, and a seven member Council, with two year terms, are elected. Department directors and public members of various boards and commissions are appointed by the Mayor.

Report Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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.

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

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

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

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, payments in lieu of taxes, estate taxes, charges for services, miscellaneous revenues, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

E. Budget Process

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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 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 2014, 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 2014 amounted to \$40,696, of which \$38,204 was assigned from other funds.

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

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

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

G. Restricted Assets

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

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

H. Inventory

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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 fair market value as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

K. Compensated Absences

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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 special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Fund Balance

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

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

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

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

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

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.

R. Bond Premiums and Discounts

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The City did not have any extraordinary or special items in 2014.

T. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For 2014, the City implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."* This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The implementation of this statement did not result in any change in the City's financial statements.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	General	Street
GAAP Basis	\$ 25,702	\$ 687,602
Net Adjustment for Revenue Accruals	(265,336)	(839,886)
Beginning of Year:		
Unrecorded Cash	16,543	-
Unrecorded Interest	2,564	62
Prepaid Items	69,628	7,216
Segregated Accounts	37,748	-
End of Year:		
Unrecorded Cash	(20,620)	(191)
Unrecorded Interest	(3,030)	(139)
Prepaid Items	(71,174)	(7,587)
Segregated Accounts	(46,329)	-
Net Adjustment for Expenditure Accruals	(6,281)	490,722
Advances In	100,000	-
Encumbrances	(88,299)	(157,466)
Budget Basis	\$ (248,884)	\$ 180,333

NOTE 5 - FUND BALANCES

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

City of Marietta, Ohio
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For the Year Ended December 31, 2014

Fund Balances	General	Street	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$ 71,174	\$ 7,587	\$ -	\$ 13,626	\$ 92,387
Park Endowments	-	-	-	750	750
Cemetery Endowments	-	-	-	457,541	457,541
Unclaimed Monies	14,844	-	-	-	14,844
Inventory	28,086	58,067	-	-	86,153
<i>Total Nonspendable</i>	<u>114,104</u>	<u>65,654</u>	<u>-</u>	<u>471,917</u>	<u>651,675</u>
<u>Restricted for:</u>					
Street Improvements	-	857,881	-	86,596	944,477
Community Development	-	-	-	327,059	327,059
Cemetery	-	-	-	33,936	33,936
Debt Service	-	-	-	17,806	17,806
Armory	-	-	-	4,774	4,774
Fire Protection	-	-	-	418,680	418,680
Health	-	-	-	82,448	82,448
Law Enforcement	-	-	-	144,033	144,033
Court Operations	-	-	-	294,138	294,138
Law Director Operations	-	-	-	19,296	19,296
Energy Conservation	-	-	-	82,425	82,425
Pool Improvements	-	-	-	675	675
Court Improvements	-	-	-	202,557	202,557
Capital Improvements	-	-	1,031,240	-	1,031,240
<i>Total Restricted</i>	<u>-</u>	<u>857,881</u>	<u>1,031,240</u>	<u>1,714,423</u>	<u>3,603,544</u>
<u>Committed to:</u>					
Community Development	-	-	-	4,220	4,220
Emergency Rescue	-	-	-	1,544	1,544
Veterans	-	-	-	911	911
Cemetery Trust	-	-	-	2,589	2,589
Parking	-	-	-	55,728	55,728
Telephone System	8,275	-	-	-	8,275
<i>Total Committed</i>	<u>8,275</u>	<u>-</u>	<u>-</u>	<u>64,992</u>	<u>73,267</u>
<u>Assigned to:</u>					
2014 Appropriations	207,262	-	-	-	207,262
Purchases on Order	75,453	-	-	-	75,453
<i>Total Assigned</i>	<u>282,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,715</u>
<u>Unassigned:</u>					
	<u>1,655,347</u>	<u>-</u>	<u>-</u>	<u>(6,737)</u>	<u>1,648,610</u>
Total Fund Balances	<u><u>\$ 2,060,441</u></u>	<u><u>\$ 923,535</u></u>	<u><u>\$ 1,031,240</u></u>	<u><u>\$ 2,244,595</u></u>	<u><u>\$ 6,259,811</u></u>

NOTE 6 - FUND DEFICITS

The Marietta Harbor Capital Projects Fund has a deficit fund balance of \$6,737, as of December 31, 2014. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficit will be eliminated.

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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, \$13,005,042 of the City's bank balance of \$14,396,607 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$ 248,646,730
Public Utility Property	8,421,180
Total	<u>\$ 257,067,910</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2014, 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 \$7,253. 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 \$5,956.

As provided by State law, the City entered into Tax Increment Financing Agreement in 2012 with First Colony Center, LLC for the purpose of construction of a hotel and a public access road. To encourage these improvements, the company was granted an exemption from paying 75% of their property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance public infrastructure improvements that will directly benefit the parcels of the First Colony Center and will continue for ten years. A receivable has been recorded in the amount of \$106,338, which represents amounts to be received by the City in 2015.

A summary of the principal items of intergovernmental receivables follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
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Governmental Activities:	Amount
Appalachian Regional Commission (ARC)	\$ 438,604
Ohio Public Works Commission Grant	383,109
Community Housing Improvement Program	366,410
Gasoline Tax and Motor Vehicle License	332,415
Housing and Urban Development Grant	262,219
Local Government	116,561
Housing Voucher Program	109,698
Community Based Corrections Grant	75,503
Ohio Department of Transportation Grant	67,635
Bureau of Workers' Compensation	66,954
Homestead and Rollback	31,447
HUD Continuum of Care	21,228
Victims of Crime Act Grant	21,148
Utilities Income Tax	16,675
MAC Time Study Reimbursement	12,470
Medicare/Medicaid Reimbursements	10,222
Ohio Department of Natural Resources Grant	10,009
Stop Violence Against Women Grant	5,668
BCMh	5,080
Integrated Case-Management Program	4,600
DARE Grant	3,906
Health Subsidy	2,638
Excess IRP	2,079
Indigent Alcohol	873
OP&F Refund	245
Immobilization Fees	100
Total Governmental Activities	2,367,496
Business-Type Activities:	
Bureau of Workers' Compensation	17,964
Total	\$ 2,385,460

NOTE 10 - INCOME TAX

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013 *	Increases	Decreases	Balance 12/31/2014
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,231,784	\$ -	\$ -	\$ 1,231,784
Construction in Progress	6,706,150	7,285,502	(1,319,368)	12,672,284
Total Capital Assets not being Depreciated	7,937,934	7,285,502	(1,319,368)	13,904,068
Capital Assets being Depreciated:				
Buildings and Improvements	14,301,380	12,925	-	14,314,305
Machinery and Equipment	5,682,906	126,639	-	5,809,545
Vehicles	4,309,683	-	(83,378)	4,226,305
Infrastructure	36,856,800	1,855,515	-	38,712,315
Total Capital Assets being Depreciated	61,150,769	1,995,079	(83,378)	63,062,470
Less Accumulated Depreciation:				
Buildings and Improvements	(4,542,638)	(740,252)	-	(5,282,890)
Machinery and Equipment	(4,304,846)	(241,236)	-	(4,546,082)
Vehicles	(2,709,969)	(341,725)	81,281	(2,970,413)
Infrastructure	(27,294,667)	(800,069)	-	(28,094,736)
Total Accumulated Depreciation	(38,852,120)	(2,123,282) **	81,281	(40,894,121)
Total Capital Assets being Depreciated, Net	22,298,649	(128,203)	(2,097)	22,168,349
Governmental Activities Capital Assets, Net	\$ 30,236,583	\$ 7,157,299	\$ (1,321,465)	\$ 36,072,417

** Reclassifications of capital assets were made to agree amounts to the City's accounting system.

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$ 100,823
General Government - Court	78,582
Security of Persons and Property:	
Police	112,957
Fire	179,517
Public Health Services	25,913
Community Environment	39,625
Street	1,287,587
Transportation	8,786
Leisure Time Activities	289,492
Total Depreciation Expense	\$ 2,123,282

City of Marietta, Ohio
Notes to the Basic Financial Statements
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	Balance 12/31/2013 *	Increases	Decreases	Balance 12/31/2014
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 447,100	\$ -	\$ -	\$ 447,100
Construction in Progress	10,915,217	3,684,384	(571,633)	14,027,968
Total Capital Assets not being Depreciated	<u>11,362,317</u>	<u>3,684,384</u>	<u>(571,633)</u>	<u>14,475,068</u>
Capital Assets being Depreciated:				
Buildings and Improvements	266,833	-	-	266,833
Machinery and Equipment	2,410,657	144,762	(5,413)	2,550,006
Vehicles	784,270	98,005	(9,825)	872,450
Infrastructure	56,134,337	889,980	-	57,024,317
Total Capital Assets being Depreciated	<u>59,596,097</u>	<u>1,132,747</u>	<u>(15,238)</u>	<u>60,713,606</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(135,001)	(4,090)	-	(139,091)
Machinery and Equipment	(1,897,796)	(102,660)	-	(2,000,456)
Vehicles	(668,874)	(33,040)	9,825	(692,089)
Infrastructure	(47,993,830)	(372,811)	-	(48,366,641)
Total Accumulated Depreciation	<u>(50,695,501)</u>	<u>(512,601)</u>	<u>9,825</u>	<u>(51,198,277)</u>
Total Capital Assets being Depreciated, Net	<u>8,900,596</u>	<u>620,146</u>	<u>(5,413)</u>	<u>9,515,329</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,262,913</u>	<u>\$ 4,304,530</u>	<u>\$ (577,046)</u>	<u>\$ 23,990,397</u>

* Reclassifications of capital assets were made to agree amounts to the City's accounting system.

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	\$ 109,836,744	\$ 5,000	
Boiler and Machinery	100,000,000	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	-
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

A. Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2014, members in state and local divisions contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14.0 percent. The portion of the City's contributions used to fund pension benefits is net of post-employment health care benefits. The portion of the City's contribution allocated to health care for members in both the Traditional and Combined Plans was 2 percent for 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care increased remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$676,368, \$700,972, and \$495,823, respectively. For 2014, 89.61 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$10,387 made by the City and \$7,420 made by plan members.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, thru July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, thru December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For 2014, the portion of the City's contributions used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$366,675 and \$485,893 for the year ended December 31, 2014, \$268,861 and \$360,109 for the year ended December 31, 2013, and \$221,894 and \$334,805 for the year ended December 31, 2012, respectively. For 2014, 91.29 percent for police and 91.00 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to health care for members in both the Traditional and Combined Plans was 2.0 percent for 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remained at 2 percent for both plans, as recommended by the OPERS actuary.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012, were \$112,728, \$53,921, and \$198,329, respectively. For 2014, 89.61 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$38,597 and \$41,353 for the year ended December 31, 2014, \$46,021 and \$48,525 for the year ended December 31, 2013, and \$117,473 and \$131,011 for the year ended December 31, 2012. For 2014, 91.29 percent has been contributed for police and 91.00 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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 \$311.35 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 16 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2014, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<u>Capital Asset Projects:</u>			
<i>Armory Square *</i>			
Armory Fund	\$ 2,009,069	\$ 2,009,069	\$ -
Capital Improvement Fund	33,272	33,272	-
	<u>2,042,341</u>	<u>2,042,341</u>	<u>-</u>
<i>City Hall Renovations</i>			
Capital Improvement Fund	2,812,524	2,800,694	11,830
Community Development Fund	11,270	11,270	-
	<u>2,823,794</u>	<u>2,811,964</u>	<u>11,830</u>
<i>Riverfront Trail Phase II</i>			
Street Fund	2,274,982	2,272,907	2,075
Community Development Fund	189,193	180,943	8,250
FEMA Fund	8,314	8,314	-
Capital Improvement Fund	149,796	149,796	-
	<u>2,622,285</u>	<u>2,611,960</u>	<u>10,325</u>
<i>SR7/Acme/Jefferson Street Intersection</i>			
Street Fund	1,902,390	1,892,642	9,748
Community Development Fund	44,475	44,475	-
	<u>1,946,865</u>	<u>1,937,117</u>	<u>9,748</u>
<i>Safe Routes to School</i>			
Street Fund	288,357	155,878	132,479
<i>Pike, 7th, Greene Intersection Phase II</i>			
Street Fund	3,006,287	2,495,713	510,574
<i>Boersma Link Green Space and Park</i>			
General Fund	168,225	114,321	53,904
<i>2014 City Wide Paving</i>			
Street Fund	533,953	502,990	30,963
<i>Waste Water Treatment Plant Upgrade</i>			
Sewer Fund	14,196,887	13,641,887	555,000
<i>Gilman Avenue Lift Station Replacement</i>			
Sewer Fund	327,248	289,531	37,717
<i>Greene Street and Colegate Drive Waterlines</i>			
Water Fund	85,000	83,800	1,200
<i>Storage Building*</i>			
Water Fund	12,750	12,750	-
<i>Harmar Hill and 676 Water Tank Painting**</i>			
Water Fund	30,000	3,480	26,520
Total All Projects	<u>\$ 28,083,992</u>	<u>\$ 26,703,732</u>	<u>\$ 1,380,260</u>

* Design phase completed; construction to commence in 2015

** Contractual Services

City of Marietta, Ohio
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B. Encumbrances

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

Governmental Funds:	
General	\$88,299
Street	157,466
Capital Improvement	380,846
Nonmajor Governmental Funds	<u>54,650</u>
<i>Total Governmental Funds</i>	<u>681,261</u>
Enterprise Funds:	
Water Fund	261,507
Sewer Fund	<u>318,778</u>
<i>Total Enterprise Funds</i>	<u>580,285</u>
Total	<u><u>\$1,261,546</u></u>

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2014, were as follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Principal Outstanding 12/31/2013	Additions	Deletions	Principal Outstanding 12/31/2014	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Parking Lot Bonds					
2000 - \$190,000 - 5.73%	\$ 91,500	\$ -	\$ 11,000	\$ 80,500	\$ 11,500
Municipal Court Bonds					
2014 - \$2,865,000 - 1.5 - 4.0%	-	2,865,000	145,000	2,720,000	115,000
Premium on Bonds	-	51,236	1,744	49,492	-
Municipal Software Bonds					
2014 - \$216,000 - 1.5 - 3.0%	-	216,000	21,000	195,000	21,000
Premium on Bonds	-	4,072	283	3,789	-
Total Bonds	<u>91,500</u>	<u>3,136,308</u>	<u>179,027</u>	<u>3,048,781</u>	<u>147,500</u>
<u>Notes:</u>					
Street Garage Roof - 2014 -	-	146,500	-	146,500	-
City Hall Renovations:					
2013 - 1.25%	1,830,000	-	1,830,000	-	-
2014 - 1.25%	-	2,750,100	-	2,750,100	-
Municipal Court - 2013 - 1.25%	2,847,000	-	2,847,000	-	-
Municipal Software - 2013 - 1.25%	213,000	-	213,000	-	-
Total Notes	<u>4,890,000</u>	<u>2,896,600</u>	<u>4,890,000</u>	<u>2,896,600</u>	<u>-</u>
Third Street Paving OPWC Loan					
1999 - \$254,765 - 2%	9,774	-	9,774	-	-
Energy Conservation Loan - 2.7%	243,700	-	58,500	185,200	60,100
Intergovernmental Payable	71,787	-	20,306	51,481	17,590
Compensated Absences	678,834	15,428	105	694,157	33,341
Total Governmental Activities	<u>\$ 5,985,595</u>	<u>\$ 6,048,336</u>	<u>\$ 5,157,712</u>	<u>\$ 6,876,219</u>	<u>\$ 258,531</u>

(continued)

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Principal Outstanding 12/31/2013	Additions	Deletions	Principal Outstanding 12/31/2014	Amounts Due in One Year
Business-Type Activities:					
<u>General Obligation Bonds:</u>					
Water Refunding Bonds					
2013 - \$2,840,000 - 2.0 - 3.0%	\$ 2,840,000	\$ -	\$ 330,000	\$ 2,510,000	\$335,000
Bond Premium	53,212	-	6,721	46,491	-
Water Bonds					
2014 - \$2,045,000 - 1.5 -	-	2,045,000	105,000	1,940,000	80,000
Bond Premium	-	36,383	1,239	35,144	-
Water Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	-	72,000	7,000	65,000	7,000
Bond Premium	-	1,357	94	1,263	-
Sewer Bonds					
2014 - \$920,000 - 1.5 - 4.0%	-	920,000	45,000	875,000	35,000
Bond Premium	-	16,400	558	15,842	-
Sewer Software Bonds					
2014 - \$72,000 - 1.5 - 3.0%	-	72,000	7,000	65,000	7,000
Bond Premium	-	1,357	94	1,263	-
Total Bonds	2,893,212	3,164,497	502,706	5,555,003	464,000
<u>Notes:</u>					
Cisler Waterline 2013 - 1.25%	295,000	-	295,000	-	-
Water 2013 - 1.25%	1,809,000	-	1,809,000	-	-
Water 2014 - 1.25%	-	1,576,000	-	1,576,000	-
Sewer 2013 - 1.25%	984,000	-	984,000	-	-
Sewer 2014 - 1.25%	-	591,485	-	591,485	-
Total Notes	3,088,000	2,167,485	3,088,000	2,167,485	-
<u>Loans:</u>					
<u>OWDA Loans:</u>					
Sewer Grit					
2002 - \$458,437 - 3.89%	261,546	-	23,245	238,301	11,962
Sewer Treatment Plant:					
2011 - \$5,684,046 - 3.0%	5,325,475	77,111	214,218	5,188,368	109,525
2013 - \$6,883,599 - 2.38%	3,510,793	2,629,096	136,407	6,003,482	138,031
2012 - \$690,000 - 2.45%	130,079	335,585	136,249	329,415	69,410
2014 - \$57,500 @ 3.33%	-	49,106	15,756	33,350	8,044
<u>OPWC Loans:</u>					
Water					
1996 - \$400,000 - 0%	80,000	-	10,000	70,000	20,000
Water Glendale Tank					
2004 - \$479,936 - 2%	298,998	-	11,627	287,371	23,603
Sewer					
2000 - \$461,023 - 2%	206,650	-	11,974	194,676	24,309
Total Loans	9,813,541	3,090,898	559,476	12,344,963	404,884
Compensated Absences	153,107	4,412	13,139	144,380	1,086
Total Business-Type Activities	\$ 15,947,860	\$ 8,427,292	\$ 4,163,321	\$ 20,211,831	\$ 869,970

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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.

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

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

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

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

The Various Purpose Bond Anticipation Notes were issued to finance the Municipal Court renovations, City Hall renovations, street garage roof repairs, and installation of new software. The court and software notes were retired with Bonds. The remaining notes were refinanced in May 2015.

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

Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund, which are all general obligations, were obtained to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loan in the Sewer Enterprise Fund, also a general obligation, was obtained to help finance the sludge belt press project. A 2007 Ohio Water Development Authority (OWDA) loan for design was obtained to help finance the sewer treatment plant upgrade. This design loan was rolled into the construction 2011 loan. Since the final draw on the new loan has not been received, an amortization schedule has not been established. The 2012, 2013, and 2014 Ohio Water Development Authority (OWDA) loans were also obtained to help finance the sewer treatment plant upgrade. As of December 31, 2014, these loans have not been fully drawn down and no amortization schedule exists. The 2002 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer grit removal project.

City of Marietta, Ohio
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The Bond Anticipation Notes were issued to finance the Cisler Drive Water Line project and various other projects of the water and wastewater departments. The notes were retired and refinanced during May of 2015.

The City has pledged future sewer customer revenues to repay the four OWDA loans. The loans are payable solely from net revenues and are payable through 2034. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 38 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$11,836,769. Principal and interest payments for the current year were \$842,507, net revenues were \$1,089,080, and total revenues were \$3,718,184.

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, 2014, are as follows:

Year	Parking Lot Bonds		Municipal Court Bonds		Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 11,500	\$ 4,612	\$ 115,000	\$ 80,188	\$ 21,000	\$ 4,012
2016	12,500	3,954	115,000	78,462	21,000	3,698
2017	13,000	3,238	120,000	74,737	21,000	3,382
2018	13,500	2,492	120,000	74,938	21,000	3,068
2019	14,500	1,720	125,000	73,137	21,000	2,752
2020-2024	15,500	888	655,000	322,900	90,000	6,404
2025-2029	-	-	755,000	219,325	-	-
2030-2033	-	-	715,000	67,125	-	-
	<u>\$ 80,500</u>	<u>\$ 16,904</u>	<u>\$ 2,720,000</u>	<u>\$ 990,812</u>	<u>\$ 195,000</u>	<u>\$ 23,316</u>

Principal and interest requirements to retire the Energy Conservation Loan liability at December 31, 2014, are as follows:

Year	Principal	Interest
2015	\$ 60,100	\$ 5,000
2016	61,700	3,378
2017	63,400	1,712
	<u>\$ 185,200</u>	<u>\$ 10,090</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Principal and interest requirements to retire the Water Fund bonds outstanding at December 31, 2014, are as follows:

Year	Water Refunding Bonds		Water Bonds		Water Software Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 335,000	\$ 61,450	\$ 80,000	\$ 57,200	\$ 7,000	\$ 1,338
2016	345,000	54,750	85,000	56,000	7,000	1,232
2017	350,000	47,850	85,000	54,725	7,000	1,128
2018	355,000	40,850	85,000	53,450	7,000	1,022
2019	365,000	33,750	85,000	52,175	7,000	918
2020-2024	760,000	34,350	470,000	230,550	30,000	2,136
2025-2029	-	-	540,000	156,200	-	-
2030-2034	-	-	510,000	47,937	-	-
	<u>\$ 2,510,000</u>	<u>\$ 273,000</u>	<u>\$ 1,940,000</u>	<u>\$ 708,237</u>	<u>\$ 65,000</u>	<u>\$ 7,774</u>

Principal and interest requirements to retire the Sewer Fund bonds outstanding at December 31, 2014, are as follows:

Year	Sewer Bonds		Sewer Software Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 35,000	\$ 25,725	\$ 7,000	\$ 1,338
2016	40,000	25,200	7,000	1,232
2017	40,000	24,600	7,000	1,128
2018	40,000	24,000	7,000	1,022
2019	40,000	23,400	7,000	918
2020-2024	210,000	103,350	30,000	2,136
2025-2029	240,000	70,050	-	-
2030-2033	230,000	21,575	-	-
	<u>\$ 875,000</u>	<u>\$ 317,900</u>	<u>\$ 65,000</u>	<u>\$ 7,774</u>

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2014, are as follows:

Year	OPWC Loans					Sewer Grit OWDA Loan	
	Water		Water			Sewer	
	Sewer	Treatment	Principal	Principal	Interest	Principal	Interest
2015	\$ 24,309	\$ 3,773	\$ 20,000	\$ 23,603	\$ 5,630	\$ 11,962	\$ 4,635
2016	24,798	3,284	20,000	24,078	5,156	24,627	8,567
2017	25,296	2,786	20,000	24,562	4,672	25,595	7,600
2018	25,804	2,277	10,000	25,056	4,178	26,600	6,594
2019	26,323	1,659	-	25,559	3,675	27,645	5,550
2020-2024	68,146	2,058	-	135,712	10,453	121,872	10,907
2025	-	-	-	28,801	433	-	-
	<u>\$ 194,676</u>	<u>\$ 15,837</u>	<u>\$ 70,000</u>	<u>\$ 287,371</u>	<u>\$ 34,197</u>	<u>\$ 238,301</u>	<u>\$ 43,853</u>

As of December 31, 2014, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$21,022,837.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 18 - NOTES PAYABLE

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2014, were as follows:

	Principal Outstanding 12/31/13	Additions	Deletions	Principal Outstanding 12/31/14
Governmental Activities:				
2013 Municipal Court Note - 1.25%	\$ 168,000	\$ -	\$ 168,000	\$ -
2013 Software Note - 1.25%	12,000	-	12,000	-
2014 City Hall Renovations Note - 1.25%	-	95,000	-	95,000
Business-Type Activities:				
2013 Cisler Drive Waterline Note - 1.25%	20,000	-	20,000	-
2013 Water Note - 1.25%	541,000	-	541,000	-
2014 Water Note - 1.25%	-	10,000	-	10,000
2013 Sewer Note - 1.25%	59,000	-	59,000	-
2014 Sewer Note - 1.25%	-	44,815	-	44,815
Total Notes Payable	<u>\$ 800,000</u>	<u>\$ 149,815</u>	<u>\$ 800,000</u>	<u>\$ 149,815</u>

The notes were issued to finance the renovations of the Municipal Court and City Hall, the installation of new software, and various water and sewer projects. The notes will mature on May 15, 2015.

NOTE 19 - INTERFUND TRANSFERS AND BALANCES

A. Balances

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

B. Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

<u>Transfer Out</u>	<u>Transfer In</u>
	Other Nonmajor Governmental Funds
Major Funds:	
General	\$ 188,155
Capital Improvements	49,907
Other Nonmajor Governmental Funds	112,118
	<u>\$ 350,180</u>

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

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. The Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District receives Title III monies directly. Currently, a portion of the Title III monies are distributed to the O'Neill Senior Citizens Center Corporation, a private not-for-profit corporation. The City contributed \$1,409 to the District during 2014. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

B. Washington-Morgan Community Action Corporation

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2014, 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 2014, the City of Marietta contributed \$3,732. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

NOTE 21 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

B. Litigation

The City of Marietta is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the City Law Director. The City management is of opinion that ultimate disposition of these claims and legal proceeding will not have a material effect, if any, on the financial condition of the City.

NOTE 22 - SUBSEQUENT EVENT

The City retired \$149,815 of the \$5,213,900 various purpose bond anticipation notes bearing an interest rate of 1.25% on May 15, 2015, and issued additional notes of \$6,045,000 for a total issuance of \$11,109,085.

On May 19, 2015, the City issued \$500,000 in Capital Facilities Bonds for the renovations of the Armory Building.

City of Marietta, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct from Federal Government:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-39-0018	\$ 219,240
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-39-0018	77,076
Total Community Development Block Grants/Entitlement Grants			<u>296,316</u>
Section 8 Housing Choice Vouchers	14.871	N/A	1,911,605
<i>Passed through the Ohio Department of Development:</i>			
Home Investment Partnerships Program	14.239	A-C-13-2HT-2	<u>33,590</u>
Total U.S. Department of Housing and Urban Development			<u>2,241,511</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	16.575	2014VAGENE329	17,838
Crime Victim Assistance	16.575	2015-VOCA-10205238	6,119
Crime Victim Assistance	16.575	2012VAGENE800	500
Total Crime Victim Assistance			<u>24,457</u>
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	16.588	2013-WF-VA2-8424	29,900
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-JG-C01-6983	<u>20,167</u>
Total U.S. Department of Justice			<u>74,524</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction (Millcreek Road Improvements)	20.205	PID#95116	<u>9,593</u>
Total U.S. Department of Transportation			<u>9,593</u>
Total Federal Financial Assistance			<u>\$ 2,325,628</u>

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

City of Marietta, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Note A – Significant Accounting Policies

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

Note B – Subrecipients

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

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

Note C – Matching Requirements

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



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Marietta, OH 45750
740.373.0056

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Parkersburg, WV 26101
304.422.2203

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740.695.1569

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

September 25, 2015

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Marietta**, Washington County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

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

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

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



...“bringing more to the table”

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

Members: American Institute of Certified Public Accountants

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



Compliance and Other Matters

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

Purpose of this Report

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

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

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



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

September 25, 2015

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

To the Members of 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) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the City's major federal program.

Management's Responsibility

The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



... "bringing more to the table"

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Opinion on the Major Federal Program

In our opinion, the City of Marietta 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, 2014.

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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

City of Marietta, Ohio
Schedule of Audit Findings
OMB Circular A -133 § .505
For the Year Ended December 31, 2014

1. SUMMARY OF AUDIT RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other 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 internal control weaknesses 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 § .510?	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: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

CITY OF MARIETTA

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 24, 2015