**CITY OF MARIETTA**
**WASHINGTON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

OHIO AUDITOR OF STATE
**KEITH FABER**

**CITY OF MARIETTA**
**WASHINGTON COUNTY**
**DECEMBER 31, 2019**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the City Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

***Auditor's Responsibility***

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

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

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

### *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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Street Fund, and Community Development Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 3 to the financial statements, during 2019, the City restated net position due to capital assets being overstated in previous years. We did not modify our opinion regarding this matter. Also, as discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

### *Other Matters*

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The Schedule is management's responsibility, and derives from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 December 9, 2020, 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.

Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2020

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The discussion and analysis of the City of Marietta's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. 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 2019 are as follows:

- In total, net position increased $13,178,335. Net position of governmental activities increased $11,503,444 along with the business-type activities in the amount of $1,674,891.

- General governmental revenues accounted for $13,974,069 in revenue or 50.5% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for $12,979,416 or 46.9% of total revenues of $27,662,125.

## 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 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

Governmental Activities - Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Sewer and Water Funds.

Business-Type Activities - Sewer and water services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Sewer and Water Treatment Plants as well as all depreciation associated with the facilities.

### *Reporting the City of Marietta's Most Significant Funds*

*Fund Financial Statements*

Fund financial statements begin on page 20. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Marietta, our major funds are the General Fund; the Street and Community Development Special Revenue Funds; the Capital Improvement Capital Projects Fund; and the Sewer and Water Enterprise Funds.

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

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

## The City of Marietta as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018.

(Table 1)
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Assets** | | | | | | |
| Current and Other Assets | $10,063,537 | $9,649,013 | $12,113,947 | $11,545,123 | $22,177,484 | $21,194,136 |
| Capital Assets, Net | 41,892,223 | 38,311,366 | 45,970,127 | 41,933,087 | 87,862,350 | 80,244,453 |
| *Total Assets* | 51,955,760 | 47,960,379 | 58,084,074 | 53,478,210 | 110,039,834 | 101,438,589 |
| **Deferred Outflows of Resources** | | | | | | |
| Pension | 5,991,979 | 2,747,528 | 1,252,169 | 527,078 | 7,243,894 | 3,272,844 |
| OPEB | 1,227,787 | 1,311,138 | 180,000 | 109,294 | 1,407,787 | 1,420,432 |
| | 7,219,766 | 4,058,666 | 1,432,169 | 636,372 | 8,651,681 | 4,693,276 |
| **Liabilities** | | | | | | |
| Current and Other Liabilities | 2,439,991 | 2,591,715 | 980,158 | 709,954 | 3,420,149 | 3,301,669 |
| Long-term Liabilities | | | | | | |
| Due Within One Year | 402,512 | 469,877 | 1,211,944 | 1,129,004 | 1,614,456 | 1,598,881 |
| Due in More Than One Year: | | | | | | |
| Net Pension Liability | 22,493,888 | 16,409,980 | 4,038,482 | 2,195,774 | 26,532,370 | 18,605,754 |
| Net OPEB Liability | 4,983,237 | 13,965,860 | 1,852,332 | 1,470,260 | 6,835,569 | 15,436,120 |
| Other Amounts | 6,914,422 | 7,270,628 | 36,751,187 | 34,947,797 | 43,665,609 | 42,218,425 |
| *Total Liabilities* | 37,234,050 | 40,708,060 | 44,834,103 | 40,452,789 | 82,068,153 | 81,160,849 |
| **Deferred Inflows of Resources** | | | | | | |
| Property Taxes | 673,834 | 566,218 | 0 | 0 | 673,834 | 566,218 |
| Pension | 776,627 | 2,099,904 | 53,028 | 573,336 | 829,401 | 2,671,478 |
| OPEB | 879,840 | 537,132 | 5,026 | 139,262 | 884,866 | 676,394 |
| *Total Deferred Inflows of Resources* | 2,330,301 | 3,203,254 | 58,054 | 712,598 | 2,388,101 | 3,914,090 |
| **Net Position** | | | | | | |
| Net Investment in Capital Assets | 34,723,185 | 30,569,724 | 10,705,896 | 8,984,968 | 45,429,081 | 39,554,692 |
| Restricted | 5,314,470 | 5,099,108 | 0 | 0 | 5,314,470 | 5,099,108 |
| Unrestricted (Deficits) | (20,426,480) | (27,561,101) | 3,918,190 | 3,964,227 | (16,508,290) | (23,596,874) |
| *Total Net Position* | $19,611,175 | $8,107,731 | $14,624,086 | $12,949,195 | $34,235,261 | $21,056,926 |

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." Under GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," the City significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Total assets increased $8,601,245. Governmental activities increased $3,995,381, as well as the business-type activities by $4,605,864, mainly in the capital asset category. Total liabilities increased $907,304. Governmental activities decreased $3,474,010, while the business-type activities increased $4,381,314.

Notable changes in governmental activity assets are an increase in intergovernmental receivables of $83,370, an increase in cash and cash equivalents of $244,003, and a net increase in capital assets of $3,580,857. Although the majority of the City's governmental activity liabilities experience small changes, contracts payable decreased $212,096. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The net pension liability alone increased $6,083,908. This was offset by a decrease in the OPEB liability of $8,982,623.

For business-type activities, equity in pooled cash increased $488,961. Contracts payable also increased $168,779. The largest increase was in capital assets of $4,037,040 mainly associated with construction in progress of the sewer treatment and water plant upgrades. Most current liabilities experienced little changes. The largest increases in liabilities can be attributed to the issuance of OWDA loans and a net pension liability increase of $1,842,708.

Table 2 shows the changes in net position for the year ended December 31, 2019, and comparisons to 2018.

(Table 2)
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Revenues** | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | $3,531,318 | $3,858,452 | $8,772,953 | $8,851,172 | $12,304,271 | $12,709,624 |
| Operating Grants, Contributions and Interest | 4,478,677 | 3,890,512 | 0 | 0 | 4,478,677 | 3,890,512 |
| Capital Grants and Contributions | 4,969,421 | 1,363,101 | 93,009 | 0 | 5,062,430 | 1,363,101 |
| Total Program Revenues | 12,979,416 | 9,112,065 | 8,865,962 | 8,851,172 | 21,845,378 | 17,963,237 |
| General Revenues | | | | | | |
| Property Taxes | 595,917 | 591,481 | 0 | 0 | 595,917 | 591,481 |
| Income Taxes | 11,824,232 | 10,576,860 | 0 | 0 | 11,824,232 | 10,576,860 |
| Payments in Lieu of Taxes | 74,974 | 161,874 | 0 | 0 | 74,974 | 161,874 |
| Hotel Tax | 436,688 | 489,869 | 0 | 0 | 436,688 | 489,869 |
| Franchise Taxes | 190,327 | 191,895 | 0 | 0 | 190,327 | 191,895 |
| Grants and Entitlements | 329,821 | 325,016 | 0 | 0 | 329,821 | 325,016 |
| Gain on Sale of Capital Assets | 0 | 0 | 44,878 | 750 | 44,878 | 750 |
| Investment Earnings | 270,882 | 171,185 | 1,368 | 1,540 | 272,250 | 172,725 |
| Donations | 0 | 21,582 | 0 | 0 | 0 | 21,582 |
| Other | 251,228 | 240,373 | 52,826 | 108,392 | 304,054 | 348,765 |
| Total General Revenues | 13,974,069 | 12,770,135 | 99,072 | 110,682 | 14,073,141 | 12,880,817 |
| Special Item | 708,640 | 0 | 0 | 0 | 708,640 | 0 |
| *Total Revenues* | 27,662,125 | 21,882,200 | 8,965,034 | 8,961,854 | 36,627,159 | 30,844,054 |
| **Program Expenses** | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 5,432,141 | 5,426,659 | 0 | 0 | 5,432,141 | 5,426,659 |
| Court | 2,198,556 | 1,884,743 | 0 | 0 | 2,198,556 | 1,884,743 |
| Security of Persons and Property: | | | | | | |
| Police | 525,847 | 4,214,326 | 0 | 0 | 525,847 | 4,214,326 |
| Fire | 342,203 | 4,953,651 | 0 | 0 | 342,203 | 4,953,651 |
| Public Health Services | 40,075 | 876,073 | 0 | 0 | 40,075 | 876,073 |
| Intergovernmental | 600,733 | 0 | 0 | 0 | 600,733 | 0 |
| Community Environment | 470,567 | 391,972 | 0 | 0 | 470,567 | 391,972 |
| Intergovernmental | 2,262,577 | 2,252,084 | 0 | 0 | 2,262,577 | 2,252,084 |
| Street | 3,204,600 | 2,857,265 | 0 | 0 | 3,204,600 | 2,857,265 |
| Transportation | 23,398 | 20,219 | 0 | 0 | 23,398 | 20,219 |
| Leisure Time Activities | 845,037 | 899,045 | 0 | 0 | 845,037 | 899,045 |
| Interest and Fiscal Charges | 212,947 | 196,539 | 0 | 0 | 212,947 | 196,539 |
| Sewer | 0 | 0 | 3,723,069 | 3,743,025 | 3,723,069 | 3,743,025 |
| Water | 0 | 0 | 3,567,074 | 4,562,284 | 3,567,074 | 4,562,284 |
| *Total Program Expenses* | 16,158,681 | 23,972,576 | 7,290,143 | 8,305,309 | 23,448,824 | 32,277,885 |
| *Changes in Net Position* | 11,503,444 | (2,090,376) | 1,674,891 | 656,545 | 13,178,335 | (1,433,831) |
| Net Position Beginning of Year - Restated | 8,107,731 | 10,198,107 | 12,949,195 | 12,292,650 | 21,056,926 | N/A |
| Net Position End of Year | $19,611,175 | $8,107,731 | $14,624,086 | $12,949,195 | $34,235,261 | $21,056,926 |

### *Governmental Activities*

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. Incomes taxes reported an increase of $1,247,372 for 2019. The income tax rate is 1.85 percent. The City monitors this revenue source very closely for fluctuations because it represents 42 percent of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 73 percent of all program revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage, the better in regards to independence.

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

Security of persons and property is normally the largest activity of the City. 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. For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from $1,189,709 in 2018 to a negative OPEB expense of $8,071,835 for 2019.

Street activities of the City accounted for over 19% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2019 amounted to $3,204,600, an increase of $347,335 from 2018.

### *Business-Type Activities*

The City's business-type activities consist of the sewer and water departments. During 2019, the City did not experience a large change in collections from 2018.

## 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 $26,888,282 and expenditures of $26,546,610.

The fund balance of the General Fund increased $241,270. The General Fund's Unassigned Fund Balance of $2,034,645 represented 17% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund decreased $9,354. The Street Fund's Restricted Fund Balance of $831,319 represented 11% of current year expenditures.

The fund balance of the Community Development Fund decreased $46,009. The Fund's Restricted Fund Balance of $240,837 represented 9% of current year expenditures.

The fund balance of the Capital Improvement Fund decreased $62,179. The Fund has a restricted fund balance of $259,661. The City spent $361,272 less in 2019 on capital projects than in 2018.

During 2019, the Sewer Fund had operating revenues of $4,683,845 and operating expenses of $3,235,228. The Water Fund had operating revenues of $4,141,934 and operating expenses of $3,314,827. The major operating expenses for these funds are salaries and wages, fringe benefits, and contractual services.

***General Fund Budgeting Highlights***

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

During the course of 2019, the City amended its General Fund budgeted appropriations 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.

Estimated revenues were not amended during 2019. Actual revenues were $268,825 over final estimates. The original appropriations were increased $395,967. All expenditure lines except public health services were increased due to higher anticipated spending. Actual expenditures were $381,626 under final appropriations.

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

## Capital Assets and Debt Administration

### *Capital Assets*

Note 11 (Capital Assets) provides capital asset activity during 2019. Table 3 shows year 2019 balances compared to 2018.

(Table 3)
Capital Assets at December 31, 2019

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | $1,397,625 | $1,416,115 | $606,027 | $606,027 | $2,003,652 | $2,022,142 |
| Buildings and Improvements | 20,118,580 | 20,977,596 | 178,948 | 186,708 | 20,297,528 | 21,164,304 |
| Machinery and Equipment | 1,208,770 | 1,224,853 | 843,486 | 808,023 | 2,052,256 | 2,032,876 |
| Vehicles | 863,897 | 953,930 | 105,370 | 150,467 | 969,267 | 1,104,397 |
| Infrastructure | 13,925,136 | 12,201,951 | 11,822,954 | 9,788,188 | 25,748,090 | 21,990,139 |
| Construction in Progress | 4,378,215 | 1,536,921 | 32,413,342 | 30,393,674 | 36,791,557 | 31,930,595 |
| Totals | $41,892,223 | $38,311,366 | $45,970,127 | $41,933,087 | $87,862,350 | $80,244,453 |

### *Debt*

The City's overall debt limit at December 31, 2019, is $22,489,965. Additional information on the City's debt can be found in Notes 17, 18, and 19 of this report. Table 4 below is a summary of the City's debt obligations:

(Table 4)
Outstanding Debt, at Year End

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| 2000 Parking Lot Bonds | $15,500 | $30,000 | $0 | $0 |
| 2014 Municipal Court Bonds | 2,125,000 | 2,250,000 | 0 | 0 |
| 2014 Municipal Software Bonds | 90,000 | 111,000 | 60,000 | 74,000 |
| Armory Loan | 300,000 | 350,000 | 0 | 0 |
| SIB Loan | 218,779 | 254,800 | 0 | 0 |
| Capital Leases | 188,483 | 136,818 | 253,566 | 299,819 |
| Capital Facilities Bond Anticipation Notes: | | | | |
| Short-term | 204,750 | 155,750 | 0 | 0 |
| Long-term | 3,535,000 | 3,739,750 | 0 | 0 |
| Sewer Bond Anticipation Notes: | | | | |
| Short-term | 0 | 0 | 72,000 | 5,000 |
| Long-term | 0 | 0 | 0 | 72,000 |
| OPWC Paving Loan | 31,183 | 33,678 | 0 | 0 |
| 2013 Water Refunding Bonds | 0 | 0 | 760,000 | 1,125,000 |
| 2014 Water Bonds | 0 | 0 | 1,520,000 | 1,605,000 |
| 2014 Sewer Bonds | 0 | 0 | 680,000 | 720,000 |
| Water OWDA Loans | 0 | 0 | 6,349,897 | 5,662,680 |
| Sewer OWDA Loans | 0 | 0 | 27,439,316 | 25,533,433 |
| Water OPWC Loans | 0 | 0 | 151,541 | 177,356 |
| Sewer OPWC Loan | 0 | 0 | 502,235 | 545,092 |
| Totals | $6,708,695 | $7,061,796 | $37,788,555 | $35,819,380 |

## Current Financial Issues

The City of Marietta's General Fund commenced the 2019 calendar year with a cash carry forward balance of $2,321,685 having experienced a General Fund operating surplus of $362,064 over the course of the 2018 calendar year.

The General Fund's financial performance for 2019 continued to exhibit a recent trend of operating surplus performance where 2019 revenues exceeded spending resulting in an operating surplus, bolstering General Fund cash carry forward reserves. This reserve balance meets the "minimum reserve balance" that has been established to insure the high likelihood for the capability to service uneven cash flow patterns that have been observed over past years. Additionally, this observed carry forward balance provided a financially stable reserve base to service the 2020 General Fund Municipal Budget. The aforementioned 2019 General Fund financial profile was attributable to a strong City Income Tax take which exceeded budgeted figures, along with favorable Hotel/Motel Tax which exceeded budgeted amounts, favorable interest income which exceeded budget, and State Sales Tax which exceeded budget.

The City continues to rely on the Maximus Central Services Cost Allocation to provide stability to the General Fund so noting that the 2019 allocation provided $1,021,956 of the General Fund revenue total. The General Fund spend profile continues to be heavily weighed to service "personnel costs" with 2019 salaries and benefits expenditures. Current three-year operative FOP, IAFF, and Teamster union collective bargaining agreements will enter the third and final year in 2020 and given the heavy weighting of personnel costs, the potential for future cost pressure will need to be addressed in upcoming budgetary exercises. This situation continues to be heavily influenced by the increase in medical plan costs so noting that published premiums for upcoming year 2020 will increase by 5.32 percent over year 2019.

**Contacting the City Auditor's Department**

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

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**City of Marietta, Ohio**
*Statement of Net Position*
*December 31, 2019*

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total* | Marietta and Belpre Joint Consolidated Health District |
| **Assets** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $5,332,232 | $9,571,822 | $14,904,054 | $0 |
| Cash and Cash Equivalents in Segregated Accounts | 75,485 | 240,557 | 316,042 | 0 |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 0 | 0 | 287,558 |
| Investments | 315,000 | 100,000 | 415,000 | 0 |
| Hotel Taxes Receivable | 34,555 | 0 | 34,555 | 0 |
| Permissive Motor Vehicle License Receivable | 2,440 | 0 | 2,440 | 0 |
| Accounts Receivable | 154,828 | 1,929,044 | 2,083,872 | 0 |
| Payments in Lieu of Taxes Receivable | 124,483 | 0 | 124,483 | 0 |
| Accrued Interest Receivable | 1,701 | 0 | 1,701 | 0 |
| Intergovernmental Receivable | 1,829,581 | 976 | 1,830,557 | 29,754 |
| Municipal Income Tax Receivable | 1,151,219 | 0 | 1,151,219 | 0 |
| Materials and Supplies Inventory | 52,798 | 130,377 | 183,175 | 0 |
| Prepaid Items | 296,297 | 141,171 | 437,468 | 23,528 |
| Property Taxes Receivable | 692,918 | 0 | 692,918 | 0 |
| Non-Depreciable Capital Assets | 5,775,840 | 33,019,369 | 38,795,209 | 0 |
| Depreciable Capital Assets, Net | 36,116,383 | 12,950,758 | 49,067,141 | 0 |
| *Total Assets* | 51,955,760 | 58,084,074 | 110,039,834 | 340,840 |
| **Deferred Outflows of Resources** | | | | |
| Pension | 5,991,979 | 1,252,169 | 7,181,317 | 209,882 |
| OPEB | 1,227,787 | 180,000 | 1,374,631 | 25,913 |
| *Total Deferred Outflows of Resources* | 7,219,766 | 1,432,169 | 8,555,948 | 235,795 |
| **Liabilities** | | | | |
| Accounts Payable | 267,445 | 89,617 | 357,062 | 3,249 |
| Contracts Payable | 408,664 | 223,043 | 631,707 | 0 |
| Accrued Wages Payable | 169,314 | 53,208 | 222,522 | 6,724 |
| Retainage Payable | 49,931 | 41,681 | 91,612 | 0 |
| Accrued Interest Payable | 83,508 | 9,896 | 93,404 | 0 |
| Intergovernmental Payable | 183,366 | 39,940 | 223,306 | 18,052 |
| Vacation and Compensatory Benefits Payable | 1,073,013 | 241,793 | 1,314,806 | 29,045 |
| Customer Deposits Payable | 0 | 208,980 | 208,980 | 0 |
| Notes Payable | 204,750 | 72,000 | 276,750 | 0 |
| Long-Term Liabilities: | | | | |
| Due Within One Year | 402,512 | 1,211,944 | 1,614,456 | 0 |
| Due In More Than One Year: | | | | |
| Net Pension Liability (See Note 13) | 22,493,888 | 4,038,482 | 26,532,370 | 712,674 |
| Net OPEB Liability (See Note 14) | 4,983,237 | 1,852,332 | 6,835,569 | 326,883 |
| Other Amounts Due In More Than One Year | 6,914,422 | 36,751,187 | 43,665,609 | 7,801 |
| *Total Liabilities* | 37,234,050 | 44,834,103 | 82,068,153 | 1,104,428 |
| **Deferred Inflows of Resources** | | | | |
| Property Taxes | 673,834 | 0 | 673,834 | 0 |
| Pension | 776,627 | 53,028 | 766,824 | 16,180 |
| OPEB | 879,840 | 5,026 | 851,710 | 6,082 |
| *Total Deferred Inflows of Resources* | 2,330,301 | 58,054 | 2,292,368 | 22,262 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 34,723,185 | 10,705,896 | 45,429,081 | 0 |
| Restricted for: | | | | |
| Street | 1,464,697 | 0 | 1,464,697 | 0 |
| Cemetery | 49,197 | 0 | 49,197 | 0 |
| Community Development | 428,713 | 0 | 428,713 | 0 |
| Fire Operations | 553,617 | 0 | 553,617 | 0 |
| Police Operations | 178,958 | 0 | 178,958 | 0 |
| Court Operations | 1,073,772 | 0 | 1,073,772 | 0 |
| Recreation | 7,787 | 0 | 7,787 | 0 |
| Health | 0 | 0 | 0 | 249,941 |
| Capital Projects | 945,471 | 0 | 945,471 | 0 |
| Perpetual Care: | | | | |
| Expendable | 17,136 | 0 | 17,136 | 0 |
| Non-expendable | 476,516 | 0 | 476,516 | 0 |
| Park - Non-expendable | 711 | 0 | 711 | 0 |
| Unclaimed Monies | 21,973 | 0 | 21,973 | 0 |
| Other Purposes | 95,922 | 0 | 95,922 | 0 |
| Unrestricted (Deficit) | (20,426,480) | 3,918,190 | (16,508,290) | (799,996) |
| *Total Net Position* | $19,611,175 | $14,624,086 | $34,235,261 | ($550,055) |

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

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**
*Statement of Activities*
*For the Year Ended December 31, 2019*

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions |
| **Governmental Activities** | | | | |
| General Government: | | | | |
| Legislative and Executive | $5,432,141 | $1,055,280 | $196,613 | $0 |
| Court | 2,198,556 | 1,124,456 | 721,716 | 0 |
| Security of Persons and Property: | | | | |
| Police | 525,847 | 48,400 | 0 | 0 |
| Fire | 342,203 | 545,185 | 49,559 | 0 |
| Public Health Services | 40,075 | 44,425 | 5,355 | 0 |
| Intergovernmental | 600,733 | 0 | 0 | 0 |
| Community Environment | 470,567 | 0 | 350,508 | 0 |
| Intergovernmental | 2,262,577 | 0 | 2,252,721 | 0 |
| Street | 3,204,600 | 30,573 | 891,054 | 4,791,912 |
| Transportation | 23,398 | 72,779 | 0 | 0 |
| Leisure Time Activities | 845,037 | 610,220 | 11,151 | 177,509 |
| Interest and Fiscal Charges | 212,947 | 0 | 0 | 0 |
| *Total Governmental Activities* | 16,158,681 | 3,531,318 | 4,478,677 | 4,969,421 |
| **Business-Type Activities** | | | | |
| Sewer | 3,723,069 | 4,655,155 | 0 | 93,009 |
| Water | 3,567,074 | 4,117,798 | 0 | 0 |
| *Total Business-Type Activities* | 7,290,143 | 8,772,953 | 0 | 93,009 |
| *Total* | $23,448,824 | $12,304,271 | $4,478,677 | $5,062,430 |
| **Component Unit** | | | | |
| Marietta and Belpre Joint Comsolidated Health District | $1,013,145 | $366,498 | $290,063 | $0 |

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

*Total General Revenues*

*Change in Net Position before Special Items*

Special Items

*Change in Net Position*

*Net Position Beginning of Year - Restated (See Note 3)*

*Net Position End of Year*

See accompanying notes to the basic financial statements

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-Type Activities | Total | Marietta and Belpre Joint Consolidated Health District |
| ($4,180,248) | $0 | ($4,180,248) | $0 |
| (352,384) | 0 | (352,384) | 0 |
| (477,447) | 0 | (477,447) | 0 |
| 252,541 | 0 | 252,541 | 0 |
| 9,705 | 0 | 9,705 | 0 |
| (600,733) | 0 | (600,733) | 0 |
| (120,059) | 0 | (120,059) | 0 |
| (9,856) | 0 | (9,856) | 0 |
| 2,508,939 | 0 | 2,508,939 | 0 |
| 49,381 | 0 | 49,381 | 0 |
| (46,157) | 0 | (46,157) | 0 |
| (212,947) | 0 | (212,947) | 0 |
| (3,179,265) | 0 | (3,179,265) | 0 |
| 0 | 1,025,095 | 1,025,095 | 0 |
| 0 | 550,724 | 550,724 | 0 |
| 0 | 1,575,819 | 1,575,819 | 0 |
| (3,179,265) | 1,575,819 | (1,603,446) | 0 |
| 0 | 0 | 0 | (356,584) |
| 579,697 | 0 | 579,697 | 0 |
| 16,220 | 0 | 16,220 | 0 |
| 7,785,743 | 0 | 7,785,743 | 0 |
| 1,548,891 | 0 | 1,548,891 | 0 |
| 1,882,140 | 0 | 1,882,140 | 0 |
| 607,458 | 0 | 607,458 | 0 |
| 74,974 | 0 | 74,974 | 0 |
| 436,688 | 0 | 436,688 | 0 |
| 190,327 | 0 | 190,327 | 0 |
| 329,821 | 0 | 329,821 | 0 |
| 735 | 0 | 735 | 0 |
| 0 | 44,878 | 44,878 | 0 |
| 270,882 | 1,368 | 272,250 | 0 |
| 38,931 | 0 | 38,931 | 0 |
| 0 | 0 | 0 | 317,688 |
| 211,562 | 52,826 | 264,388 | 0 |
| 13,974,069 | 99,072 | 14,073,141 | 317,688 |
| 10,794,804 | 1,674,891 | 12,469,695 | (38,896) |
| 708,640 | 0 | 708,640 | 0 |
| 11,503,444 | 1,674,891 | 13,178,335 | (38,896) |
| 8,107,731 | 12,949,195 | 21,056,926 | (511,159) |
| $19,611,175 | $14,624,086 | $34,235,261 | ($550,055) |

**City of Marietta, Ohio**
*Balance Sheet*
*Governmental Funds*
*December 31, 2019*

| | General | Street | Community Development | Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $1,620,890 | $728,348 | $66,079 | $403,594 | $2,491,348 | $5,310,259 |
| Cash and Cash Equivalents in Segregated Accounts | 41,831 | 0 | 0 | 0 | 33,654 | 75,485 |
| Restricted Cash | 21,973 | 0 | 0 | 0 | 0 | 21,973 |
| Investments | 0 | 0 | 0 | 0 | 315,000 | 315,000 |
| Receivables: | | | | | | |
| Hotel Taxes | 23,037 | 0 | 0 | 0 | 11,518 | 34,555 |
| Permissive Motor Vehicle License | 0 | 2,440 | 0 | 0 | 0 | 2,440 |
| Accounts | 96,933 | 0 | 0 | 0 | 57,895 | 154,828 |
| Payments in Lieu of Taxes | 0 | 0 | 0 | 0 | 124,483 | 124,483 |
| Accrued Interest | 410 | 0 | 0 | 0 | 1,291 | 1,701 |
| Interfund | 148,881 | 0 | 0 | 14,225 | 0 | 163,106 |
| Municipal Income Tax | 772,768 | 145,565 | 0 | 58,222 | 174,664 | 1,151,219 |
| Property Taxes | 529,022 | 0 | 0 | 0 | 163,896 | 692,918 |
| Intergovernmental | 164,252 | 830,859 | 375,211 | 26 | 459,233 | 1,829,581 |
| Materials and Supplies Inventory | 20,766 | 32,032 | 0 | 0 | 0 | 52,798 |
| Prepaid Items | 232,560 | 22,681 | 3,018 | 0 | 38,038 | 296,297 |
| *Total Assets* | $3,673,323 | $1,761,925 | $444,308 | $476,067 | $3,871,020 | $10,226,643 |
| **Liabilities and Fund Balances** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts Payable | $49,805 | $127,070 | $10,161 | $100 | $80,309 | $267,445 |
| Contracts Payable | 0 | 399,270 | 0 | 9,394 | 0 | 408,664 |
| Accrued Wages Payable | 133,711 | 14,451 | 925 | 0 | 20,227 | 169,314 |
| Retainage Payable | 0 | 49,931 | 0 | 0 | 0 | 49,931 |
| Accrued Interest Payable | 0 | 197 | 0 | 3,830 | 0 | 4,027 |
| Intergovernmental Payable | 131,735 | 13,372 | 1,309 | 0 | 36,950 | 183,366 |
| Interfund Payable | 0 | 0 | 0 | 0 | 163,106 | 163,106 |
| Notes Payable | 0 | 10,000 | 0 | 194,750 | 0 | 204,750 |
| *Total Liabilities* | 315,251 | 614,291 | 12,395 | 208,074 | 300,592 | 1,450,603 |
| **Deferred Inflows of Resources** | | | | | | |
| Property Taxes | 509,938 | 0 | 0 | 0 | 163,896 | 673,834 |
| Unavailable Revenue | 285,179 | 261,602 | 188,058 | 8,332 | 535,404 | 1,278,575 |
| *Total Deferred Inflows of Resources* | 795,117 | 261,602 | 188,058 | 8,332 | 699,300 | 1,952,409 |
| **Fund Balances** | | | | | | |
| Nonspendable | 275,299 | 54,713 | 3,018 | 0 | 515,265 | 848,295 |
| Restricted | 0 | 831,319 | 240,837 | 259,661 | 2,115,960 | 3,447,777 |
| Committed | 5,358 | 0 | 0 | 0 | 302,957 | 308,315 |
| Assigned | 247,653 | 0 | 0 | 0 | 0 | 247,653 |
| Unassigned (Deficit) | 2,034,645 | 0 | 0 | 0 | (63,054) | 1,971,591 |
| *Total Fund Balances* | 2,562,955 | 886,032 | 243,855 | 259,661 | 2,871,128 | 6,823,631 |
| *Total Liabilities and Fund Balances* | $3,673,323 | $1,761,925 | $444,308 | $476,067 | $3,871,020 | $10,226,643 |

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, 2019*

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $6,823,631 |
| | | |
| ***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. | | 41,892,223 |
| | | |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Investment Earnings | 1,701 | |
| Delinquent Property Taxes | 19,084 | |
| Charges for Services | 3,921 | |
| Fines, Licenses and Permits | 60,590 | |
| Municipal Income Tax | 172,482 | |
| Payments in Lieu of Taxes | 124,483 | |
| Intergovernmental Revenues | 896,314 | |
| Total | | 1,278,575 |
| | | |
| The net pension and net OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds: | | |
| Deferred Outflows - Pension | 5,991,979 | |
| Deferred Inflows - Pension | (776,627) | |
| Net Pension Liability | (22,493,888) | |
| Deferred Outflows - OPEB | 1,227,787 | |
| Deferred Inflows - OPEB | (879,840) | |
| Net OPEB Liability | (4,983,237) | |
| Total | | (21,913,826) |
| | | |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Bonds Payable | (2,268,575) | |
| Accrued Interest Payable | (79,481) | |
| Loans Payable | (549,962) | |
| Notes Payable | (3,535,000) | |
| Capital Lease Payable | (188,483) | |
| Intergovernmental Payable | (2,717) | |
| Compensated Absences Payable - Sick Leave | (772,197) | |
| Vacation and Compensatory Benefits Payable | (1,073,013) | |
| Total | | (8,469,428) |
| ***Net Position of Governmental Activities*** | | $19,611,175 |

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, 2019*

| | General | Street | Community Development | Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property Taxes | $588,286 | $0 | $0 | $0 | $16,220 | $604,506 |
| Hotel Tax | 436,688 | 0 | 0 | 0 | 218,205 | 654,893 |
| Permissive Motor Vehicle License | 0 | 30,573 | 0 | 0 | 0 | 30,573 |
| Municipal Income Tax | 7,798,576 | 1,547,354 | 0 | 608,768 | 1,876,446 | 11,831,144 |
| Payments in Lieu of Taxes | 0 | 0 | 0 | 0 | 112,365 | 112,365 |
| Charges for Services | 1,349,198 | 0 | 0 | 0 | 675,070 | 2,024,268 |
| Fines, Licenses and Permits | 681,322 | 0 | 0 | 0 | 511,689 | 1,193,011 |
| Franchise Taxes | 190,446 | 0 | 0 | 0 | 0 | 190,446 |
| Intergovernmental | 473,461 | 5,662,721 | 2,557,123 | 110,084 | 797,804 | 9,601,193 |
| Investment Earnings | 270,882 | 12,085 | 0 | 0 | 5,355 | 288,322 |
| Donations | 10,793 | 0 | 0 | 0 | 58,038 | 68,831 |
| Rent | 33,956 | 0 | 0 | 0 | 26,541 | 60,497 |
| Other | 193,581 | 16,403 | 0 | 0 | 18,249 | 228,233 |
| *Total Revenues* | 12,027,189 | 7,269,136 | 2,557,123 | 718,852 | 4,315,982 | 26,888,282 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 4,140,968 | 0 | 0 | 0 | 178,071 | 4,319,039 |
| Court | 843,109 | 0 | 0 | 0 | 672,674 | 1,515,783 |
| Security of Persons and Property: | | | | | | |
| Police | 3,750,252 | 0 | 0 | 0 | 34,017 | 3,784,269 |
| Fire | 2,592,754 | 0 | 0 | 0 | 1,633,195 | 4,225,949 |
| Public Health Services | 0 | 0 | 0 | 0 | 23,998 | 23,998 |
| Community Environment | 0 | 0 | 340,555 | 0 | 25,753 | 366,308 |
| Street | 0 | 7,224,416 | 0 | 0 | 0 | 7,224,416 |
| Transportation | 0 | 0 | 0 | 0 | 17,457 | 17,457 |
| Leisure Time Activities | 0 | 0 | 0 | 0 | 617,525 | 617,525 |
| Capital Outlay | 0 | 0 | 0 | 484,075 | 374,897 | 858,972 |
| Intergovernmental | 400,603 | 0 | 2,262,577 | 0 | 200,130 | 2,863,310 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 41,233 | 0 | 32,335 | 210,500 | 284,068 |
| Current Refunding | 0 | 10,000 | 0 | 194,750 | 0 | 204,750 |
| Issuance Costs | 0 | 431 | 0 | 19,708 | 0 | 20,139 |
| Interest and Fiscal Charges | 0 | 5,648 | 0 | 119,918 | 95,061 | 220,627 |
| *Total Expenditures* | 11,727,686 | 7,281,728 | 2,603,132 | 850,786 | 4,083,278 | 26,546,610 |
| *Excess of Revenues Over (Under) Expenditures* | 299,503 | (12,592) | (46,009) | (131,934) | 232,704 | 341,672 |
| **Other Financing Sources (Uses)** | | | | | | |
| Premium on Notes Issued | 0 | 0 | 0 | 0 | 38,931 | 38,931 |
| Notes Issued | 0 | 70,000 | 0 | 3,465,000 | 0 | 3,535,000 |
| Proceeds from Sale of Capital Assets | 9,581 | 3,238 | 0 | 5,567 | 1,574 | 19,960 |
| Current Refunding | 0 | (70,000) | 0 | (3,465,000) | 0 | (3,535,000) |
| Inception of Capital Lease | 0 | 0 | 0 | 84,000 | 0 | 84,000 |
| Transfers In | 0 | 0 | 0 | 0 | 161,742 | 161,742 |
| Transfers Out | (68,733) | 0 | 0 | (19,812) | (73,197) | (161,742) |
| *Total Other Financing Sources (Uses)* | (59,152) | 3,238 | 0 | 69,755 | 129,050 | 142,891 |
| **Special Item** | | | | | | |
| Transfers of Health District Operations | 919 | 0 | 0 | 0 | (12,453) | (11,534) |
| *Net Change in Fund Balances* | 241,270 | (9,354) | (46,009) | (62,179) | 349,301 | 473,029 |
| *Fund Balances Beginning of Year* | 2,321,685 | 895,386 | 289,864 | 321,840 | 2,521,827 | 6,350,602 |
| *Fund Balances End of Year* | $2,562,955 | $886,032 | $243,855 | $259,661 | $2,871,128 | $6,823,631 |

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, 2019*

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $473,029 |
| ***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 | 5,849,592 | |
| Depreciation | (2,234,818) | |
| Excess of Capital Outlay over Depreciation Expense | | 3,614,774 |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds and the loss on the disposal of assets: | | |
| Proceeds from Sale of Capital Assets | (19,960) | |
| Loss on Sale of Capital Assets | (13,957) | (33,917) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | | |
| Delinquent Property Taxes | (8,589) | |
| Charges for Services | 3,144 | |
| Fines, Licenses and Permits | 1,620 | |
| Municipal Income Tax | (6,912) | |
| Payments in Lieu of Taxes | (37,391) | |
| Franchise Taxes | (119) | |
| Intergovernmental Revenues | 65,870 | |
| Other Revenues | (16,671) | 952 |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows: | | |
| Pension | 1,452,678 | |
| OPEB | 24,730 | 1,477,408 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities: | | |
| Pension | (3,388,725) | |
| OPEB | 8,250,541 | 4,861,816 |
| Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities: | | |
| Bond Premium Amortization | 3,041 | |
| Accrued Interest Payable | 4,639 | 7,680 |
| The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net position. | | (84,000) |
| 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. | | (3,535,000) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position: | | |
| Bonds | 160,500 | |
| Notes | 3,739,750 | |
| Loans | 88,516 | |
| Capital Leases | 32,335 | 4,021,101 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds: | | |
| Intergovernmental Payable | 2,717 | |
| Vacation and Compensatory Benefits Payable | (19,988) | |
| Compensated Absences Payable - Sick Leave | 15,712 | (1,559) |
| The special item for the transfer of the Health District operations on the statement of activities differs from the amount reported in the governmental funds due to the transfer of long-term assets, deferred outflows, liabilities, and deferred inflows. | | 701,160 |
| ***Change in Net Position of Governmental Activities*** | | $11,503,444 |

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, 2019*

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Revenues** | | | | |
| Property Taxes | $560,000 | $560,000 | $588,286 | $28,286 |
| Hotel Tax | 432,665 | 432,665 | 444,160 | 11,495 |
| Municipal Income Tax | 7,745,491 | 7,745,491 | 7,793,399 | 47,908 |
| Charges for Services | 1,300,562 | 1,300,562 | 1,352,126 | 51,564 |
| Fines, Licenses and Permits | 685,304 | 685,304 | 684,370 | (934) |
| Franchise Tax | 195,000 | 195,000 | 192,886 | (2,114) |
| Intergovernmental | 529,416 | 529,416 | 472,472 | (56,944) |
| Investment Earnings | 175,000 | 175,000 | 273,325 | 98,325 |
| Donations | 15,863 | 15,863 | 10,793 | (5,070) |
| Rent | 5,500 | 5,500 | 33,956 | 28,456 |
| Other | 122,540 | 122,540 | 190,393 | 67,853 |
| *Total Revenues* | 11,767,341 | 11,767,341 | 12,036,166 | 268,825 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 4,449,679 | 4,607,569 | 4,289,596 | 317,973 |
| Court | 862,977 | 864,977 | 828,169 | 36,808 |
| Security of Persons and Property: | | | | |
| Police | 3,753,507 | 3,811,787 | 3,779,350 | 32,437 |
| Fire | 2,467,123 | 2,644,920 | 2,628,904 | 16,016 |
| Public Health Services | 378,995 | 378,995 | 400,603 | (21,608) |
| *Total Expenditures* | 11,912,281 | 12,308,248 | 11,926,622 | 381,626 |
| *Excess of Revenues Over (Under) Expenditures* | (144,940) | (540,907) | 109,544 | 650,451 |
| **Other Financing Sources (Uses)** | | | | |
| Advances In | 75,000 | 75,000 | 75,000 | 0 |
| Advances Out | (121,677) | (121,677) | (121,677) | 0 |
| Sale of Capital Assets | 18,921 | 18,921 | 9,581 | (9,340) |
| Transfers Out | (31,085) | (71,085) | (68,733) | 2,352 |
| *Total Other Financing Sources (Uses)* | (58,841) | (98,841) | (105,829) | (6,988) |
| *Net Change in Fund Balance* | (203,781) | (639,748) | 3,715 | 643,463 |
| *Fund Balance Beginning of Year* | 1,431,602 | 1,431,602 | 1,431,602 | 0 |
| Prior Year Encumbrances Appropriated | 83,587 | 83,587 | 83,587 | 0 |
| *Fund Balance End of Year* | $1,311,408 | $875,441 | $1,518,904 | $643,463 |

**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, 2019*

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual | Over (Under) |
| **Revenues** | | | | |
| Permissive Motor Vehicle License Tax | $121,043 | $111,565 | $30,479 | ($81,086) |
| Municipal Income Tax | 1,519,929 | 1,519,929 | 1,524,968 | 5,039 |
| Intergovernmental | 8,831,327 | 9,049,657 | 5,564,008 | (3,485,649) |
| Investment Earnings | 3,300 | 3,300 | 12,450 | 9,150 |
| Other | 11,870 | 19,622 | 16,117 | (3,505) |
| *Total Revenues* | 10,487,469 | 10,704,073 | 7,148,022 | (3,556,051) |
| **Expenditures** | | | | |
| Current: | | | | |
| Street | 10,566,760 | 7,684,781 | 7,451,884 | 232,897 |
| Debt Service: | | | | |
| Principal Retirement | 289,422 | 108,651 | 131,233 | (22,582) |
| Issuance Costs | 399 | 431 | 431 | 0 |
| Interest and Fiscal Charges | 3,641 | 2,487 | 5,646 | (3,159) |
| *Total Expenditures* | 10,860,222 | 7,796,350 | 7,589,194 | 207,156 |
| *Excess of Revenues Over (Under) Expenditures* | (372,753) | 2,907,723 | (441,172) | (3,763,207) |
| **Other Financing Sources** | | | | |
| Sale of Capital Assets | 792 | 1,797 | 3,238 | 1,441 |
| Notes Issued | 0 | 0 | 80,000 | 80,000 |
| *Total Other Financing Sources* | 792 | 1,797 | 83,238 | 81,441 |
| *Net Change in Fund Balance* | (371,961) | 2,909,520 | (357,934) | (3,267,454) |
| *Fund Balance Beginning of Year* | 608,740 | 608,740 | 608,740 | 0 |
| Prior Year Encumbrances Appropriated | 269,237 | 269,237 | 269,237 | 0 |
| *Fund Balance End of Year* | $506,016 | $3,787,497 | $520,043 | ($3,267,454) |

**City of Marietta, Ohio**

*Statement of Revenues, Expenditures and Changes*
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*
*Community Development Fund*
*For the Year Ended December 31, 2019*

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Revenues** | | | | |
| Intergovernmental | $2,325,352 | $2,602,861 | $2,616,896 | $14,035 |
| **Expenditures** | | | | |
| Current: | | | | |
| Community Environment | 141,400 | 401,719 | 358,725 | 42,994 |
| Intergovernmental | 2,000,000 | 2,262,577 | 2,262,577 | 0 |
| *Total Expenditures* | 2,141,400 | 2,664,296 | 2,621,302 | 42,994 |
| *Excess of Revenues Over (Under) Expenditures* | 183,952 | (61,435) | (4,406) | 57,029 |
| **Other Financing Sources (Uses)** | | | | |
| Advances In | 0 | 0 | 75,000 | 75,000 |
| Advances Out | 0 | (75,000) | (75,000) | 0 |
| *Total Other Financing Sources (Uses)* | 0 | (75,000) | 0 | 75,000 |
| *Net Change in Fund Balance* | 183,952 | (136,435) | (4,406) | 132,029 |
| *Fund Balance Beginning of Year* | 53,602 | 53,602 | 53,602 | 0 |
| *Fund Balance End of Year* | $237,554 | ($82,833) | $49,196 | $132,029 |

**City of Marietta, Ohio**

*Statement of Fund Net Position*

*Enterprise Funds*

*December 31, 2019*

| | Sewer | Water | Total Enterprise Funds |
|---|---|---|---|
| **Assets** | | | |
| Current: | | | |
| Equity in Pooled Cash and Cash Equivalents | $5,886,597 | $3,576,245 | $9,462,842 |
| Cash and Cash Equivalents in Segregated Accounts | 120,837 | 119,720 | 240,557 |
| Accounts Receivable | 1,057,239 | 871,805 | 1,929,044 |
| Intergovernmental Receivable | 483 | 493 | 976 |
| Materials and Supplies Inventory | 35,738 | 94,639 | 130,377 |
| Restricted Assets: | | | |
| Customer Deposits: | | | |
| Equity in Pooled Cash and Cash Equivalents | 53,400 | 55,580 | 108,980 |
| Investments | 49,000 | 51,000 | 100,000 |
| Prepaid Items | 59,308 | 81,863 | 141,171 |
| *Total Current Assets* | 7,262,602 | 4,851,345 | 12,113,947 |
| Noncurrent: | | | |
| Non-Depreciable Capital Assets | 31,274,734 | 1,744,635 | 33,019,369 |
| Depreciable Capital Assets, Net | 7,223,192 | 5,727,566 | 12,950,758 |
| *Total Noncurrent Assets* | 38,497,926 | 7,472,201 | 45,970,127 |
| *Total Assets* | 45,760,528 | 12,323,546 | 58,084,074 |
| **Deferred Outflows of Resources** | | | |
| Pension | 637,500 | 637,499 | 1,274,999 |
| OPEB | 97,760 | 97,760 | 195,520 |
| *Total Deferred Outflows of Resources* | 735,260 | 735,259 | 1,470,519 |
| **Liabilities** | | | |
| Current: | | | |
| Accounts Payable | 33,195 | 56,422 | 89,617 |
| Contracts Payable | 187,794 | 35,249 | 223,043 |
| Accrued Wages Payable | 26,356 | 26,852 | 53,208 |
| Retainage Payable | 41,681 | 0 | 41,681 |
| Intergovernmental Payable | 19,581 | 20,359 | 39,940 |
| Vacation and Compensatory Benefits Payable | 113,763 | 128,030 | 241,793 |
| Accrued Interest Payable | 3,725 | 6,171 | 9,896 |
| Notes Payable | 72,000 | 0 | 72,000 |
| Capital Leases Payable | 47,751 | 0 | 47,751 |
| Refunding Bonds Payable | 0 | 0 | 0 |
| General Obligation Bonds Payable | 47,000 | 97,000 | 144,000 |
| OPWC Loans Payable | 0 | 0 | 0 |
| OWDA Loans Payable | 493,634 | 151,559 | 645,193 |
| Customer Deposits Payable from Restricted Assets | 102,400 | 106,580 | 208,980 |
| *Total Current Liabilities* | 1,188,880 | 628,222 | 1,817,102 |
| Long-Term: | | | |
| Compensated Absences Payable | 43,548 | 151,525 | 195,073 |
| Capital Leases Payable | 205,815 | 0 | 205,815 |
| Refunding Bonds Payable | 0 | 772,883 | 772,883 |
| General Obligation Bonds Payable | 675,210 | 1,479,410 | 2,154,620 |
| OPWC Loans Payable | 502,235 | 151,541 | 653,776 |
| OWDA Loans Payable | 26,945,682 | 6,198,338 | 33,144,020 |
| Net Pension Liability | 2,019,241 | 2,019,241 | 4,038,482 |
| Net OPEB Liability | 926,166 | 926,166 | 1,852,332 |
| *Total Long-Term Liabilities* | 31,317,897 | 11,699,104 | 43,017,001 |
| *Total Liabilities* | 32,506,777 | 12,327,326 | 44,834,103 |
| **Deferred Inflows of Resources** | | | |
| Pension | 37,929 | 37,929 | 75,858 |
| OPEB | 10,273 | 10,273 | 20,546 |
| *Total Deferred Outflows of Resources* | 48,202 | 48,202 | 96,404 |
| **Net Position** | | | |
| Net Investment in Capital Assets | 9,291,334 | 1,414,562 | 10,705,896 |
| Unrestricted (Deficit) | 4,649,475 | (731,285) | 3,918,190 |
| *Total Net Position* | $13,940,809 | $683,277 | $14,624,086 |

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, 2019*

| | Sewer | Water | Total Enterprise Funds |
|---|---|---|---|
| **Operating Revenues** | | | |
| Charges for Services | $4,655,155 | $4,117,798 | $8,772,953 |
| Other Operating Revenues | 28,690 | 24,136 | 52,826 |
| *Total Operating Revenues* | 4,683,845 | 4,141,934 | 8,825,779 |
| **Operating Expenses** | | | |
| Salaries and Wages | 999,179 | 1,027,345 | 2,026,524 |
| Fringe Benefits | 981,734 | 988,070 | 1,969,804 |
| Contractual Services | 733,401 | 715,445 | 1,448,846 |
| Materials and Supplies | 173,917 | 297,563 | 471,480 |
| Other Operating Expenses | 49,385 | 26,763 | 76,148 |
| Depreciation | 297,612 | 259,641 | 557,253 |
| *Total Operating Expenses* | 3,235,228 | 3,314,827 | 6,550,055 |
| *Operating Income* | 1,448,617 | 827,107 | 2,275,724 |
| **Non-Operating Revenues (Expenses)** | | | |
| Investment Earnings | 1,368 | 0 | 1,368 |
| Capital Grants | 93,009 | 0 | 93,009 |
| Gain on Sale of Capital Assets | 44,878 | 0 | 44,878 |
| Interest and Fiscal Charges | (487,453) | (252,247) | (739,700) |
| Note Issuance Costs | (388) | 0 | (388) |
| *Total Non-Operating Revenues (Expenses)* | (348,586) | (252,247) | (600,833) |
| *Change in Net Position* | 1,100,031 | 574,860 | 1,674,891 |
| *Net Position Beginning of Year - Restated (See Note 3)* | 12,840,778 | 108,417 | 12,949,195 |
| *Net Position End of Year* | $13,940,809 | $683,277 | $14,624,086 |

See accompanying notes to the basic financial statements

## City of Marietta, Ohio

*Statement of Cash Flows*
*Enterprise Funds*
*For the Year Ended December 31, 2019*

| | Sewer | Water | Total Enterprise Funds |
|---|---|---|---|
| ***Increase (Decrease) in Cash and Cash Equivalents*** | | | |
| **Cash Flows from Operating Activities** | | | |
| Cash Received from Customers | $4,566,184 | $4,077,742 | $8,643,926 |
| Cash Payments for Employee Services and Benefits | (1,564,466) | (1,613,151) | (3,177,617) |
| Cash Payments to Suppliers for Goods and Services | (927,940) | (1,036,633) | (1,964,573) |
| Other Operating Revenues | 29,450 | 25,487 | 54,937 |
| Other Operating Expenses | (55,962) | (29,271) | (85,233) |
| Customer Deposits Received | 15,092 | 15,708 | 30,800 |
| Customer Deposits Returned | (15,009) | (15,621) | (30,630) |
| *Net Cash Provided by Operating Activities* | 2,047,349 | 1,424,261 | 3,471,610 |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Acquisition of Capital Assets | (3,382,658) | (1,087,499) | (4,470,157) |
| Grants | 135,553 | 0 | 135,553 |
| Proceeds from Sale of Capital Assets | 45,937 | 0 | 45,937 |
| Notes Issuance Costs | (388) | 0 | (388) |
| Proceeds from Sale of Bond Anticipation Notes | 72,000 | 0 | 72,000 |
| Loan Proceeds | 2,886,755 | 898,348 | 3,785,103 |
| Principal Paid on Debt | (1,147,729) | (693,946) | (1,841,675) |
| Interest Paid on Debt | (479,000) | (262,035) | (741,035) |
| *Net Cash Used for Capital and Related Financing Activities* | (1,869,530) | (1,145,132) | (3,014,662) |
| **Cash Flows from Investing Activities** | | | |
| Investment Earnings | 750 | 0 | 750 |
| *Net Increase in Cash and Cash Equivalents* | 178,569 | 279,129 | 457,698 |
| *Cash and Cash Equivalents Beginning of Year* | 5,882,265 | 3,472,416 | 9,354,681 |
| *Cash and Cash Equivalents End of Year* | $6,060,834 | $3,751,545 | $9,812,379 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities** | | | |
| *Operating Income* | $1,448,617 | $827,107 | $2,275,724 |
| Adjustments: | | | |
| Depreciation | 297,612 | 259,641 | 557,253 |
| (Increase)/Decrease in Assets: | | | |
| Accounts Receivable | (89,076) | (39,573) | (128,649) |
| Intergovernmental Receivable | 43,492 | 955 | 44,447 |
| Materials and Supplies Inventory | (9,234) | (19,830) | (29,064) |
| Prepaid Items | 4,934 | (2,794) | 2,140 |
| Decrease in Deferred Outflows - Pension | 450,072 | 448,825 | 898,897 |
| Decrease in Deferred Outflows - OPEB | 60,547 | 60,547 | 121,094 |
| Increase/(Decrease) in Liabilities: | | | |
| Accounts Payable | (33,599) | 15,299 | (18,300) |
| Contracts Payable | 0 | (12,575) | (12,575) |
| Accrued Wages Payable | 3,883 | 5,277 | 9,160 |
| Intergovernmental Payable | (5,845) | (1,928) | (7,773) |
| Vacation and Compensatory Benefits Payable | 6,128 | 4,824 | 10,952 |
| Compensated Absences Payable | (8,156) | 2,012 | (6,144) |
| Net Pension Liability | (2,192) | (2,191) | (4,383) |
| Net OPEB Liability | 50,731 | 50,731 | 101,462 |
| Decrease in Deferred Inflows - Pension | (147,852) | (149,353) | (297,205) |
| Decrease in Deferred Inflows - OPEB | (22,713) | (22,713) | (45,426) |
| *Net Cash Provided by Operating Activities* | $2,047,349 | $1,424,261 | $3,471,610 |

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**
*Statement of Fiduciary Net Position*
*Custodial Fund*
*December 31, 2019*

| | |
|---|---|
| **Assets** | |
| Cash and Cash Equivalents in Segregated Accounts | $91,341 |
| Accounts Receivable | 76,874 |
| *Total Assets* | 168,215 |
| **Liabilities** | |
| Accounts Payable | 39,119 |
| Intergovernmental Payable | 52,222 |
| *Total Liabilities* | 91,341 |
| **Net Position** | |
| Restricted for Individuals, Organizations, and Other Governments | $76,874 |

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**

*Statement of Changes in Fiduciary Net Position*

*Custodial Fund*

*For the Year Ended December 31, 2019*

| | |
|---|---|
| **Additions** | |
| Fines and Forfeitures for Other Governments | $1,222,665 |
| Contributions from Individuals | 172,825 |
| *Total Additions* | 1,395,490 |
| **Deductions** | |
| Distributions to the State of Ohio | 567,417 |
| Distributions to Other Governments | 269,955 |
| Distributions to Individuals | 438,367 |
| Miscellaneous | 129,775 |
| *Total Deductions* | 1,405,514 |
| *Net Increase in Fiduciary Net Position* | (10,024) |
| *Net Position Beginning of Year* | 86,898 |
| *Net Position End of Year* | $76,874 |

See accompanying notes to the basic financial statements

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

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

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

Report Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Marietta, this includes 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.

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 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. The City's only component unit is the Marietta and Belpre Joint Consolidated Health District (Health District).

The Health District was created as a legally separate organization under chapter 3709 of the Ohio Revised Code. Among its various duties, the Health District provides for the prompt diagnosis and control of communicable diseases. The Health District may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Health District is operated by a board with two members appointed by the Mayor of Marietta; two members appointed by the Mayor of Belpre; and one member jointly appointed by the Mayors of Marietta and Belpre. The rates charged by the Health District are subject to the approval of respective City Councils. However, the City of Marietta solely provides funding to the Health District, thus the City of Marietta can impose will on the Health District, and the Health District imposes a financial burden to the City. Therefore, the Health District is considered a discretely presented component unit of the City of Marietta. Separately issued financial statements can be obtained from City Auditor Sherri Hess at the City of Marietta, 301 Putnam Street, Marietta, Ohio 45750. (See Note 27)

The City participates in the Buckeye Hills Regional Council, the Washington-Morgan Community Action Corporation, and the Wood, Washington, and Wirt Planning Commission, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 21.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Basis of Presentation

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

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

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

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

### B. Fund Accounting

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

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

***General Fund*** The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose, provided it is expended or transferred according to the general laws of Ohio.
***Street Fund*** The Street Fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

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

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

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

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

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

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

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

The City's fiduciary funds are custodial funds. The City's custodial funds account for amounts collected and distributed on behalf of another government or organization. The City's custodial funds account for the amounts collected by the municipal court that are paid to other 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 and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

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

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

D. Basis of Accounting

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, investment earnings, income taxes, payments in lieu of taxes, charges for services, intergovernmental grants, and fines, licenses and permits. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 21. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

E. Budget Process

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

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

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

F. Cash and Cash Equivalents

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

During 2019, 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 2019 amounted to $270,882, of which $241,432 was assigned from other funds.

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

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

G. Restricted Assets

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

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

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Capital Assets

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

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

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

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

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences, and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and long-term loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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. The City Council assigned fund balance to cover the gap between the estimated resources and appropriations in the 2020's appropriated budget.

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

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

N. Net Position

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

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

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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

Q. Interfund Assets and Liabilities

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

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

R. Bond Premiums, Discounts and Issuance Costs

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds.

On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued.

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. During 2019, the City recognized a loss of $11,534 on the statement of revenues, expenditures, and changes in fund balances of governmental funds and a gain of $708,640 on the statement of activities for the transfer of the board of health operations, recorded as a special item.

T. Estimates

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

U. Pensions/Other Postemployment Benefits (OPEB)

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

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

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The City evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For 2019, the City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities.*

For 2019, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

### *Restatement of Net Position*

The City restated capital assets due to them being overstated in prior years.

| | Governmental Activities | Water Enterprise | Business-Type Activities |
|---|---|---|---|
| Net Position December 31, 2018 | $8,396,733 | $128,195 | $12,968,973 |
| Adjustments: | | | |
| Overstatement of Capital Assets | (289,002) | (19,778) | (19,778) |
| Restated Net Position December 31, 2018 | $8,107,731 | $108,417 | $12,949,195 |

## NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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

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

Net Change in Fund Balance

| | General | Street | Community Development |
|---|---|---|---|
| GAAP Basis | $241,270 | ($9,354) | ($46,009) |
| Net Adjustment for Revenue Accruals | 5,134 | (121,479) | 59,773 |
| Beginning of Year: | | | |
| Unrecorded Cash | 21,271 | 0 | 0 |
| Unrecorded Interest | 20,452 | 1,157 | 0 |
| Prepaid Items | 260,448 | 23,603 | 3,037 |
| Segregated Accounts | 45,059 | 0 | 0 |
| End of Year: | | | |
| Unrecorded Cash | (23,875) | 0 | 0 |
| Unrecorded Interest | (18,152) | (792) | 0 |
| Prepaid Items | (232,560) | (22,681) | (3,018) |
| Segregated Accounts | (41,831) | 0 | 0 |
| Net Adjustment for Expenditure Accruals | (144,992) | (10,877) | (1,306) |
| Notes Issued | 0 | 10,000 | 0 |
| Debt Principal | 0 | (90,000) | 0 |
| Current Refunding | 0 | 70,000 | 0 |
| Interest and Fiscal Services | 0 | 2 | 0 |
| Advances In | 75,000 | 0 | 75,000 |
| Advances Out | (121,677) | 0 | (75,000) |
| Encumbrances | (81,832) | (207,513) | (16,883) |
| Budget Basis | $3,715 | ($357,934) | ($4,406) |

## NOTE 5 - FUND BALANCES

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

| Fund Balances | General | Street | Community Development | Capital Improvement | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|---|---|
| Nonspendable: | | | | | | |
| Prepaids | $232,560 | $22,681 | $3,018 | $0 | $38,038 | $296,297 |
| Park Endowments | 0 | 0 | 0 | 0 | 711 | 711 |
| Cemetery Endowments | 0 | 0 | 0 | 0 | 476,516 | 476,516 |
| Unclaimed Monies | 21,973 | 0 | 0 | 0 | 0 | 21,973 |
| Inventory | 20,766 | 32,032 | 0 | 0 | 0 | 52,798 |
| *Total Nonspendable* | 275,299 | 54,713 | 3,018 | 0 | 515,265 | 848,295 |
| Restricted for: | | | | | | |
| Street | 0 | 831,319 | 0 | 0 | 0 | 831,319 |
| Cemetery | 0 | 0 | 0 | 0 | 45,690 | 45,690 |
| Community Development | 0 | 0 | 240,837 | 0 | 1,738 | 242,575 |
| Cemetery Trust | 0 | 0 | 0 | 0 | 15,845 | 15,845 |
| Fire Operations | 0 | 0 | 0 | 0 | 737,360 | 737,360 |
| Police Operations | 0 | 0 | 0 | 0 | 178,445 | 178,445 |
| Court Operations | 0 | 0 | 0 | 0 | 755,026 | 755,026 |
| Recreation | 0 | 0 | 0 | 0 | 7,787 | 7,787 |
| Law Director Operations | 0 | 0 | 0 | 0 | 45,133 | 45,133 |
| Bond and Note Retirement | 0 | 0 | 0 | 0 | 2 | 2 |
| Court Improvements | 0 | 0 | 0 | 0 | 307,842 | 307,842 |
| Capital Improvements | 0 | 0 | 0 | 259,661 | 21,092 | 280,753 |
| *Total Restricted* | 0 | 831,319 | 240,837 | 259,661 | 2,115,960 | 3,447,777 |
| Committed to: | | | | | | |
| General | 5,358 | 0 | 0 | 0 | 0 | 5,358 |
| Armory | 0 | 0 | 0 | 0 | 16,091 | 16,091 |
| Parking | 0 | 0 | 0 | 0 | 282,190 | 282,190 |
| Other Local Funds | 0 | 0 | 0 | 0 | 4,676 | 4,676 |
| *Total Committed* | 5,358 | 0 | 0 | 0 | 302,957 | 308,315 |
| Assigned to: | | | | | | |
| 2019 Appropriations | 178,397 | 0 | 0 | 0 | 0 | 178,397 |
| Purchases on Order | 69,256 | 0 | 0 | 0 | 0 | 69,256 |
| *Total Assigned* | 247,653 | 0 | 0 | 0 | 0 | 247,653 |
| Unassigned (Deficit): | 2,034,645 | 0 | 0 | 0 | (63,054) | 1,971,591 |
| Total Fund Balances | $2,562,955 | $886,032 | $243,855 | $259,661 | $2,871,128 | $6,823,631 |

## NOTE 6 - FUND DEFICITS

The Marietta Harbor and Armory Cultural Facilities Gym Capital Projects Funds and the Recreation Special Revenue Fund have deficit fund balances of $6,152, $14,225, and $40,421 as of December 31, 2019, respectively. The deficits are the result of the recognition of interfund payables. Once grant reimbursements and other receipts are received, the deficits will be eliminated.

## NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations or political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

## NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes were levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was $2.40 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

| | |
|---|---|
| Real Property | $267,692,140 |
| Public Utility Property | 6,645,240 |
| Total | $274,337,380 |

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, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

### *Tax Abatements*

As of December 31, 2019, the City provided tax abatements through a Community Reinvestment Area (CRA) Tax Abatement with Hippodrome/Colony Historical Theater Association and Perry & Associates. Pursuant to Ohio Revised Code 3735.67, the City established the CRA to provide property tax abatements to encourage revitalization of the existing buildings. The abatements were obtained through application by the property owners, including proof that the improvements have been made, and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatements are deducted from the recipients' tax bill. The amount of property taxes abated for 2019 were $15,657 and $24,291, respectively.

## NOTE 9 - RECEIVABLES

Receivables at December 31, 2019, consisted of taxes, accounts (billings for user charged services including unbilled utility services and third party billings), payments in lieu of taxes, interfund, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment.

As provided by State law, the City entered into Tax Increment Financing Agreement in 2012 with First Colony Center, LLC for the purpose of construction of a hotel and a public access road. To encourage these improvements, the company was granted an exemption from paying 75% of their property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance public infrastructure improvements that will directly benefit the parcels of the First Colony Center and will continue for ten years. A receivable has been recorded in the amount of $124,483, which represents amounts to be received by the City in 2019.

A summary of the principal items of intergovernmental receivables follows:

| **Governmental Activities:** | Amount |
|---|---|
| Gasoline Tax and Motor Vehicle License | $371,165 |
| 2019 City Wide Paving | 331,322 |
| Community Based Corrections Grant | 296,880 |
| Housing Voucher Program | 187,153 |
| Housing and Urban Development Grant | 122,399 |
| Justice Reinvestment and Incentive Grant | 99,162 |
| Local Government | 98,830 |
| Housing and Urban Development Grant | 65,659 |
| Hillcrest Slip Repair | 63,939 |
| Victims of Crime Act Grant | 41,959 |
| Ohio Department of Transportation Grants | 38,826 |
| Homestead and Rollback | 32,439 |
| Federal Emergency Management Agency Reimbursements | 24,243 |
| Stop Violence Against Women Grant | 20,023 |
| Channel Lane Slip Repair | 19,953 |
| Excess IRP | 4,468 |
| Other | 4,308 |
| Bureau of Workers Comp. Payments | 3,869 |
| Summer Worker Reimbursement | 1,192 |
| Indigent Alcohol | 745 |
| Immobilization Fees | 600 |
| Utilities Income Tax | 447 |
| Total Governmental Activities | 1,829,581 |
| **Business-Type Activities:** | |
| Bureau of Workers' Compensation | 976 |
| Total | $1,830,557 |

## NOTE 10 - INCOME TAX

The City levies a municipal income tax of 1.85 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 1.85 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: 66% to the General Fund, 13% to the Street Special Revenue Fund, 16% to the Fire Levy Special Revenue Fund, and 5% to the Capital Improvement Capital Projects Fund.

## NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

| | Restated Balance 12/31/2018 | Increases | Decreases | Balance 12/31/2019 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | $1,416,115 | $0 | ($18,490) | $1,397,625 |
| Construction in Progress | 1,536,921 | 3,068,239 | (226,945) | 4,378,215 |
| Total Capital Assets not being Depreciated | 2,953,036 | 3,068,239 | (245,435) | 5,775,840 |
| Capital Assets being Depreciated: | | | | |
| Buildings and Improvements | 34,573,180 | 297,270 | (26,418) | 34,844,032 |
| Machinery and Equipment | 4,203,005 | 166,517 | (15,995) | 4,353,527 |
| Vehicles | 4,175,059 | 180,525 | (188,139) | 4,167,445 |
| Infrastructure | 38,127,319 | 2,363,986 | 0 | 40,491,305 |
| Total Capital Assets being Depreciated | 81,078,563 | 3,008,298 | (230,552) | 83,856,309 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (13,595,584) | (1,148,691) | 18,823 | (14,725,452) |
| Machinery and Equipment | (2,978,152) | (182,600) | 15,995 | (3,144,757) |
| Vehicles | (3,221,129) | (262,726) | 180,307 | (3,303,548) |
| Infrastructure | (25,925,368) | (640,801) | 0 | (26,566,169) |
| Total Accumulated Depreciation | (45,720,233) | (2,234,818) * | 215,125 | (47,739,926) |
| Total Capital Assets being Depreciated, Net | 35,358,330 | 773,480 | (15,427) | 36,116,383 |
| Governmental Activities Capital Assets, Net | $38,311,366 | $3,841,719 | ($260,862) | $41,892,223 |

* Depreciation expense was charged to governmental programs as follows:

| | |
|---|---|
| General Government - Legislative and Executive | $370,058 |
| General Government - Court | 266,752 |
| Security of Persons and Property: | |
| Police | 105,421 |
| Fire | 168,371 |
| Public Health Services | 16,077 |
| Community Environment | 83,442 |
| Street | 941,987 |
| Transportation | 5,941 |
| Leisure Time Activities | 276,769 |
| Total Depreciation Expense | $2,234,818 |

| | Restated Balance 12/31/2018 | Increases | Decreases | Balance 12/31/2019 |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | $606,027 | $0 | $0 | $606,027 |
| Construction in Progress | 30,393,674 | 4,402,318 | (2,382,650) | 32,413,342 |
| Total Capital Assets not being Depreciated | 30,999,701 | 4,402,318 | (2,382,650) | 33,019,369 |
| Capital Assets being Depreciated: | | | | |
| Buildings and Improvements | 358,797 | 0 | 0 | 358,797 |
| Machinery and Equipment | 2,858,486 | 131,244 | (6,577) | 2,983,153 |
| Vehicles | 894,450 | 0 | (73,969) | 820,481 |
| Infrastructure | 59,311,062 | 2,444,440 | 0 | 61,755,502 |
| Total Capital Assets being Depreciated | 63,422,795 | 2,575,684 | (80,546) | 65,917,933 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (172,089) | (7,760) | 0 | (179,849) |
| Machinery and Equipment | (2,050,463) | (89,204) | 0 | (2,139,667) |
| Vehicles | (743,983) | (45,097) | 73,969 | (715,111) |
| Infrastructure | (49,522,874) | (415,192) | 5,518 | (49,932,548) |
| Total Accumulated Depreciation | (52,489,409) | (557,253) | 79,487 | (52,967,175) |
| Total Capital Assets being Depreciated, Net | 10,933,386 | 2,018,431 | (1,059) | 12,950,758 |
| Business-Type Activities Capital Assets, Net | $41,933,087 | $6,420,749 | ($2,383,709) | $45,970,127 |

## 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 | $121,809,387 | $20,000 |
| Boiler and Machinery | 122,559,387 | 20,000 |

| 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 | 5,000 |
| Public Officials Wrongful Acts | 1,000,000 | 1,000,000 | 5,000 |
| Law Enforcement | 1,000,000 | 1,000,000 | 10,000 |

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

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

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

## NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

### *Net Pension Liability /Net OPEB Liability*

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

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

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

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

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

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

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

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

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

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| **Combined Plan Formula:**<br>1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | **Combined Plan Formula:**<br>1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | **Combined Plan Formula:**<br>1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |

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

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

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

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

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

| | State and Local |
|---|---|
| **2019 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| | |
| **2019 Actual Contribution Rates** | |
| Employer: | |
| Pension ** | 14.0 % |
| Post-employment Health Care Benefits ** | 0.0 |
| | |
| Total Employer | 14.0 % |
| | |
| Employee | 10.0 % |

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

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

For 2019, the City's contractually required contribution was $800,259 for the traditional plan. Of this amount, $93,273 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

| | Police | Firefighters |
|---|---|---|
| **2019 Statutory Maximum Contribution Rates** | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| | | |
| **2019 Actual Contribution Rates** | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $941,875 for 2019. Of this amount, $72,171 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.04076686% | 0.18826200% | |
| Prior Measurement Date | 0.04373900% | 0.19134900% | |
| Change in Proportionate Share | -0.00297214% | -0.00308700% | |
| Proportionate Share of the Net Pension Liability: | $11,165,216 | $15,367,154 | $26,532,370 |
| Pension Expense | 2,352,866 | 1,922,624 | 4,275,490 |

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

| | OPERS | OP&F | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and | | | |
| actual experience | $515 | $631,375 | $631,890 |
| Changes of assumptions | 971,959 | 407,404 | 1,379,363 |
| Net difference between projected and | | | |
| actual earnings on pension plan investments | 1,515,433 | 1,893,221 | 3,408,654 |
| proportionate share of contributions | 0 | 19,276 | 19,276 |
| City contributions subsequent to the | | | |
| measurement date | 800,259 | 941,875 | 1,742,134 |
| Total Deferred Outflows of Resources | $3,288,166 | $3,893,151 | $7,181,317 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and | | | |
| actual experience | $146,606 | $14,350 | $160,956 |
| Changes in proportion and differences | | | |
| between City contributions and | | | |
| proportionate share of contributions | 106,838 | 499,030 | 605,868 |
| Total Deferred Inflows of Resources | $253,444 | $513,380 | $766,824 |

$1,742,134 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Year Ending December 31: | | | |
| 2020 | 919,057 | 786,843 | 1,705,900 |
| 2021 | 470,032 | 372,853 | 842,885 |
| 2022 | 140,587 | 444,171 | 584,758 |
| 2023 | 704,787 | 795,366 | 1,500,153 |
| 2024 | 0 | 38,663 | 38,663 |
| Thereafter | 0 | 0 | 0 |
| Total | $2,234,463 | $2,437,896 | $4,672,359 |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

| | OPERS Traditional Plan | OPERS Combined Plan |
|---|---|---|
| Wage Inflation | 3.25 percent | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 3.25 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA: | | |
| Pre-January 7, 2013 Retirees | 3 percent, simple | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent, simple through 2018, then 2.15 percent, simple | 3 percent, simple through 2018, then 2.15 percent, simple |
| Investment Rate of Return | 7.2 percent | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 23.00 % | 2.79 % |
| Domestic Equities | 19.00 | 6.21 |
| Real Estate | 10.00 | 4.90 |
| Private Equity | 10.00 | 10.81 |
| International Equities | 20.00 | 7.83 |
| Other investments | 18.00 | 5.50 |
| Total | 100.00 % | 5.95 % |

***Discount Rate*** For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate*** The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| County's proportionate share of the net pension liability | $16,494,272 | $11,165,216 | $6,736,724 |

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented below.

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

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash and Cash Equivalents | - % | 0.80 % |
| Domestic Equity | 16.00 | 5.50 |
| Non-US Equity | 16.00 | 5.90 |
| Private Markets | 8.00 | 8.40 |
| Core Fixed Income * | 23.00 | 2.60 |
| High Yield Fixed Income | 7.00 | 4.80 |
| Private Credit | 5.00 | 7.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 2.30 |
| Master Limited Partnerships | 8.00 | 6.40 |
| Real Assets | 8.00 | 7.00 |
| Private Real Estate | 12.00 | 6.10 |
| Total | 120.00 % | |

Note: Assumptions are geometric.
* levered 2x

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

***Discount Rate*** The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| City's proportionate share of the net pension liability | $20,199,065 | $15,367,154 | $11,329,394 |

## NOTE 14 - DEFINED BENEFIT OPEB PLANS

See Note 13 for a description of the net OPEB liability

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

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

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

The City's contractually required contribution was $4,355 for 2019. Of this amount, $508 is reported as an intergovernmental payable.

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

Plan Description **–** The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was $21,951 for 2019. Of this amount, $2,180 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Date | 0.0392798% | 0.1882620% | |
| Prior Measurement Date | 0.0423100% | 0.1913490% | |
| Change in Proportionate Share | -0.0030302% | -0.0030870% | |
| Proportionate Share of the Net OPEB Liability | $5,121,155 | $1,714,414 | $6,835,569 |
| OPEB Expense | $407,910 | ($8,479,745) | ($8,071,835) |

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS | OP&F | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $1,735 | $0 | $1,735 |
| Changes of assumptions | 165,112 | 888,670 | 1,053,782 |
| Net difference between projected and actual earnings on pension plan investments | 234,774 | 58,034 | 292,808 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 0 | 0 | 0 |
| City contributions subsequent to the measurement date | 4,355 | 21,951 | 26,306 |
| Total Deferred Outflows of Resources | $405,976 | $968,655 | $1,374,631 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $13,895 | $45,933 | $59,828 |
| Changes of assumptions | 0 | 474,631 | 474,631 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 81,394 | 235,857 | 317,251 |
| Total Deferred Inflows of Resources | $95,289 | $756,421 | $851,710 |

$26,306 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31: | OPERS | OP&F | Total |
|---|---|---|---|
| 2020 | 124,158 | 36,572 | 160,730 |
| 2021 | 25,768 | 36,572 | 62,340 |
| 2022 | 38,133 | 36,572 | 74,705 |
| 2023 | 118,273 | 54,125 | 172,398 |
| 2024 | 0 | 26,451 | 26,451 |
| Thereafter | 0 | (9) | (9) |
| Total | $306,332 | $190,283 | $496,615 |

***Actuarial Assumptions - OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.96 percent |
| Prior Measurement date | 3.85 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate: | |
| Current measurement date | 3.71 percent |
| Prior Measurement date | 3.31 percent |
| Health Care Cost Trend Rate: | |
| Current measurement date | 10.0 percent, initial<br>3.25 percent, ultimate in 2029 |
| Prior Measurement date | 7.25 percent, initial<br>3.25 percent, ultimate in 2028 |
| Actuarial Cost Method | Individual Entry Age Normal |

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was be effective for the 2018 valuation.

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 34.00 % | 2.42 % |
| Domestic Equities | 21.00 | 6.21 |
| Real Estate Investment Trust | 6.00 | 5.98 |
| International Equities | 22.00 | 7.83 |
| Other investments | 17.00 | 5.57 |
| Total | 100.00 % | 5.16 % |

***Discount Rate*** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

| | 1% Decrease (2.96%) | Discount Rate (3.96%) | 1% Increase (4.96%) |
|---|---|---|---|
| City's proportionate share of the net OPEB liability | $6,551,867 | $5,121,155 | $3,983,362 |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| City's proportionate share of the net OPEB liability | $4,922,542 | $5,121,155 | $5,349,906 |

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

| | |
|---|---|
| Valuation Date | January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.0 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Single discount rate: | |
| Current measurement date | 4.66 percent |
| Prior measurement date | 3.24 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent |

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

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

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

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

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

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

***Discount Rate*** For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

| | 1% Decrease (3.66%) | Current Discount Rate (4.66%) | 1% Increase (5.66%) |
|---|---|---|---|
| City's proportionate share of the net OPEB liability | $2,088,625 | $1,714,414 | $1,400,297 |

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

## NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Employee Health Benefits

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

The City provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis. The City pays 82.5% for non-union employees, 85% for police and fire employees, and 90% for teamster employees. Rates are $339.90 per week per employee. Premiums are paid from the same funds that pay the employees' salaries.

C. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Upon retirement, all employees hired prior to January 1, 1988, except Firemen and Teamsters, are paid 100% of their sick leave up to a maximum of 120 days. All employees hired after January 1, 1988, except Firemen and Teamsters, are paid fifty percent of their sick leave at the time of retirement up to a maximum of 120 days accumulation. If hired before January 1, 1991, firemen whose employment with the City is terminated either by retirement or after twelve years of consecutive employment by the City, are paid for accumulated sick leave up to a maximum of 120 days accumulation. If hired after January 1, 1991, firemen whose employment with the City is terminated either by retirement or after twelve years of consecutive employment by the City, are paid fifty percent of their accumulated sick leave up to a maximum 120 days accumulation. Teamsters hired prior to January 1, 1992, are paid 100% of their sick leave at the time of retirement up to a maximum of 120 days accumulation. Teamsters hired after January 1, 1992, are paid fifty percent of their sick leave at the time of retirement up to a maximum of 120 days accumulation. Upon voluntary termination, death, or retirement, all employees will receive 100% of vacation earned and not previously taken.

## NOTE 16 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2019, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

| **Capital Projects:** | Purchase Commitments | Amount Expended | Amount Remaining on Contracts |
|---|---|---|---|
| **Riverfront Trail Phase V** | | | |
| Street Fund | 3,088,539 | 3,088,539 | 0 |
| **State Route 676 Lancaster Street Improvements** | | | |
| Street Fund | 642,414 | 642,414 | 0 |
| **Fiber Optic Project** | | | |
| Street Fund | 142,268 | 104,968 | 37,300 |
| **Safe Routes to School** | | | |
| Street Fund | 49,953 | 47,587 | 2,366 |
| **East Muskingum Park - Start Westward** | | | |
| Start Westward Monument Fund | 290,568 | 29,494 | 261,074 |
| **Waste Water Treatment Plant Upgrade** | | | |
| Sewer Fund | 30,873,845 | 30,452,196 | 421,649 |
| **Water Treatment Plant Upgrade** | | | |
| Water Fund | 475,194 | 445,002 | 30,192 |
| **Lancaster/Alta Water Line Replacement** | | | |
| Water Fund | 1,109,168 | 754,586 | 354,582 |
| **Gold Star Park and Walking Trail** | | | |
| Street Fund | 49,989 | 49,989 | 0 |
| **County House Lane Safety Project** | | | |
| Street Fund | 6,310 | 6,310 | 0 |
| **Third Street Urban Paving** | | | |
| Street Fund | 706,864 | 191,866 | 514,998 |
| **Interstate - 77 Resurfacing and Guardrails** | | | |
| Street Fund | 563,072 | 217,048 | 346,024 |
| **Post Street & Harmar Village Sewer** | | | |
| Sewer Fund | 915,111 | 714,918 | 200,193 |
| **State Route 7 North Sewer Extension** | | | |
| Sewer Fund | 106,400 | 46,640 | 59,760 |
| Total All Projects | $39,019,695 | $36,791,557 | $2,228,138 |

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 | $81,832 |
| Street | 207,513 |
| Community Development | 16,883 |
| Capital Improvement | 66,944 |
| Nonmajor Governmental Funds | 114,270 |
| *Total Governmental Funds* | 487,442 |
| **Enterprise Funds:** | |
| Water Fund | 217,119 |
| Sewer Fund | 438,466 |
| *Total Enterprise Funds* | 655,585 |
| Total | $1,143,027 |

## NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2019, the City entered into lease agreement totaling $84,000 for a lift truck to be used by the street department. In 2018, the City entered into lease agreements totaling $484,196 for a street sweeper to be used by the street department and vacuum truck to be used by the sewer department. All three leases meet the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the enterprise fund. Governmental activities capitalized leased assets are reflected net of accumulated depreciation for a book value of $300,941. Business-type activities capitalized leased asset is reflected net of accumulated depreciation for a book value of $306,851. Principal payments for the capital leases during 2019 totaled $78,588.

Future minimum lease payments through 2024 are as follows:

| | Governmental Activities | | Business-Type Activities | | |
|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Total |
| 2020 | $60,641 | $5,457 | $47,751 | $7,545 | $121,394 |
| 2021 | 62,802 | 4,556 | 49,297 | 5,999 | 122,654 |
| 2022 | 65,040 | 2,318 | 50,894 | 4,402 | 122,654 |
| 2023 | 0 | 0 | 52,543 | 2,754 | 55,297 |
| 2024 | 0 | 0 | 53,081 | 2,214 | 55,295 |
| Total | $188,483 | $12,331 | $253,566 | $22,914 | $477,294 |

## NOTE 18 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2019, were as follows:

| | Principal Outstanding 12/31/2018 | Additions | Deletions | Principal Outstanding 12/31/2019 | Amounts Due in One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| General Obligation Bonds: | | | | | |
| Parking Lot Bonds | | | | | |
| 2000 - $190,000 - 5.73% | $30,000 | $0 | $14,500 | $15,500 | $15,500 |
| Municipal Court Bonds | | | | | |
| 2014 - $2,865,000 - 1.5 - 4.0% | 2,250,000 | 0 | 125,000 | 2,125,000 | 125,000 |
| Premium on Bonds | 39,027 | 0 | 2,616 | 36,411 | 0 |
| Municipal Software Bonds | | | | | |
| 2014 - $216,000 - 1.5 - 3.0% | 111,000 | 0 | 21,000 | 90,000 | 21,000 |
| Premium on Bonds | 2,089 | 0 | 425 | 1,664 | 0 |
| Total Bonds | 2,432,116 | 0 | 163,541 | 2,268,575 | 161,500 |
| Notes: | | | | | |
| Street Garage Roof: | | | | | |
| 2018 - 3% | 148,750 | 0 | 148,750 | 0 | 0 |
| 2019 - 3% | 0 | 138,000 | 0 | 138,000 | 0 |
| City Hall Renovations: | | | | | |
| 2018 - 3% | 2,370,000 | 0 | 2,370,000 | 0 | 0 |
| 2019 - 3% | 0 | 2,243,000 | 0 | 2,243,000 | 0 |
| Administration Building Renovations: | | | | | |
| 2018 - 3% | 1,141,000 | 0 | 1,141,000 | 0 | 0 |
| 2019 - 3% | 0 | 1,084,000 | 0 | 1,084,000 | 0 |
| Asphalt Paving: | | | | | |
| 2018 - 3% | 80,000 | 0 | 80,000 | 0 | 0 |
| 2019 - 3% | 0 | 70,000 | 0 | 70,000 | 0 |
| Total Notes | 3,739,750 | 3,535,000 | 3,739,750 | 3,535,000 | 0 |
| Net Pension Liability: | | | | | |
| OPERS | 4,666,028 | 2,460,706 | 0 | 7,126,734 | 0 |
| OPF | 11,743,952 | 3,623,202 | 0 | 15,367,154 | 0 |
| Total Net Pension Liability | 16,409,980 | 6,083,908 | 0 | 22,493,888 | 0 |
| Net OPEB Liability: | | | | | |
| OPERS | 3,124,293 | 144,530 | 0 | 3,268,823 | 0 |
| OPF | 10,841,567 | 0 | 9,127,153 | 1,714,414 | 0 |
| Total Net OPEB Liability | 13,965,860 | 144,530 | 9,127,153 | 4,983,237 | 0 |
| Loans from Direct Borrowings | | | | | |
| Armory Loan - 4.99% | 350,000 | 0 | 50,000 | 300,000 | 50,000 |
| OPWC Paving Loan - 0% | 33,678 | 0 | 2,495 | 31,183 | 0 |
| SIB Loan - 3% | 254,800 | 0 | 36,021 | 218,779 | 24,068 |
| Total Long-Term Loans from Direct Borrowings | 638,478 | 0 | 88,516 | 549,962 | 74,068 |
| Intergovernmental Payable | 5,434 | 0 | 2,717 | 2,717 | 1,358 |
| Capital Leases | 136,818 | 84,000 | 32,335 | 188,483 | 60,641 |
| Compensated Absences | 787,909 | 40,311 | 56,023 | 772,197 | 104,945 |
| Total Governmental Activities | $38,116,345 | $9,887,749 | $13,210,035 | $34,794,059 | $402,512 |

(continued)

| (continued) | Principal Outstanding 12/31/2018 | Additions | Deletions | Principal Outstanding 12/31/2019 | Amounts Due in One Year |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| General Obligation Bonds: | | | | | |
| Water Refunding Bonds | | | | | |
| 2013 - $2,840,000 - 2.0 - 3.0% | $1,125,000 | $0 | $365,000 | $760,000 | $375,000 |
| Bond Premium | 19,605 | 0 | 6,722 | 12,883 | 0 |
| Water Bonds | | | | | |
| 2014 - $2,045,000 - 1.5 - 3.75% | 1,605,000 | 0 | 85,000 | 1,520,000 | 90,000 |
| Bond Premium | 27,713 | 0 | 1,858 | 25,855 | 0 |
| Water Software Bonds | | | | | |
| 2014 - $72,000 - 1.5 - 3.0% | 37,000 | 0 | 7,000 | 30,000 | 7,000 |
| Bond Premium | 697 | 0 | 142 | 555 | 0 |
| Sewer Bonds | | | | | |
| 2014 - $920,000 - 1.5 - 4.0% | 720,000 | 0 | 40,000 | 680,000 | 40,000 |
| Bond Premium | 12,492 | 0 | 837 | 11,655 | 0 |
| Sewer Software Bonds | | | | | |
| 2014 - $72,000 - 1.5 - 3.0% | 37,000 | 0 | 7,000 | 30,000 | 7,000 |
| Bond Premium | 697 | 0 | 142 | 555 | 0 |
| Total Bonds | 3,585,204 | 0 | 513,701 | 3,071,503 | 519,000 |
| Notes: | | | | | |
| Sewer 2018 - 3% | 72,000 | 0 | 72,000 | 0 | 0 |
| Total Notes | 72,000 | 0 | 72,000 | 0 | 0 |
| Loans: | | | | | |
| OWDA Loans from Direct Borrowings: | | | | | |
| Sewer Grit | | | | | |
| 2002 - $458,437 - 3.89% | 135,827 | 0 | 28,182 | 107,645 | 14,504 |
| Sewer Treatment Plant: | | | | | |
| 2011 Phase 1 - $5,684,046 - 3.0% | 4,264,762 | 0 | 202,247 | 4,062,515 | 60,938 |
| 2013 Phase 2 - $6,991,940 - 2.38% | 5,266,772 | 0 | 230,344 | 5,036,428 | 146,990 |
| Construction Phase 3: | | | | | |
| 2016 Scope - $6,825,175 - 0.57% | 6,453,624 | 80,057 | 210,424 | 6,323,257 | 105,662 |
| 2016 Muskingum River Forcemain - $1,317,372 - 2.27% | 996,292 | 0 | 25,194 | 971,098 | 12,812 |
| 2018 Scope - $9,624,977 - 1.89% | 6,479,841 | 2,418,415 | 229,113 | 8,669,143 | 120,548 |
| 2016 Harmar Lift - $1,220,557 - 2.05% | 1,037,270 | 0 | 22,015 | 1,015,255 | 13,834 |
| 2017 Meter Replacement - Sewer - $1,004,554 - 2.98% | 899,045 | 0 | 33,353 | 865,692 | 18,346 |
| 2018 Harmar Village & Post Street - Sewer - $760,910 - 1.97% - 2.98% | 0 | 388,283 | 0 | 388,283 | 0 |
| Total Sewer OWDA Loans | 25,533,433 | 2,886,755 | 980,872 | 27,439,316 | 493,634 |
| Water Treatment Plant: | | | | | |
| 2017 Planning - $282,941 - 3.48% | 229,221 | 202,519 | 23,466 | 408,274 | 40,684 |
| 2017 Distribution Building - $49,766 - 3.48% | 48,993 | 1,584 | 2,446 | 48,131 | 1,223 |
| Waterline Replacements: | | | | | |
| 2017 Greene Street and Colegate Drive - $1,892,614 - 3.10% | 1,744,421 | 0 | 38,842 | 1,705,579 | 19,874 |
| 2017 Hadley Lane and Sherry Drive - $753,088 - 3.10% | 707,490 | 0 | 15,753 | 691,737 | 8,060 |
| 2017 Meter Replacement - Water - $1,004,554 - 2.98% | 899,045 | 0 | 33,353 | 865,692 | 18,346 |
| Water Tank Painting: | | | | | |
| 2017 Ground Storage - $1,222,7772 - 2.88- | 1,140,334 | 0 | 42,639 | 1,097,695 | 22,508 |
| 2017 676 and Harmar - $642,581 - 2.98% | 583,212 | 0 | 35,672 | 547,540 | 18,236 |
| 2017 Northhills - $337,372 - 2.98% | 309,964 | 0 | 18,960 | 291,004 | 9,692 |
| 2018 Alta and Lancaster - $1,107,189 - 2.29% | 0 | 694,245 | 0 | 694,245 | 12,936 |
| Total Water OWDA Loans | 5,662,680 | 898,348 | 211,131 | 6,349,897 | 151,559 |
| Total OWDA Loans | $31,196,113 | $3,785,103 | $1,192,003 | $33,789,213 | $645,193 |

(continued)

| (continued) | Principal Outstanding 12/31/2018 | Additions | Deletions | Principal Outstanding 12/31/2019 | Amounts Due in One Year |
|---|---|---|---|---|---|
| OPWC Loans from Direct Borrowings: | | | | | |
| 2004 Water Glendale Tank - $479,936 - 2% | $177,356 | $0 | $25,815 | $151,541 | $0 |
| 2000 Sewer Sludge Belt Press - $461,023 - 2% | 81,373 | 0 | 26,586 | 54,787 | 0 |
| 2016 Sewer Treatment Plant - $556,115 - 0% | 463,719 | 0 | 16,271 | 447,448 | 0 |
| Total Sewer OPWC Loans | 545,092 | 0 | 42,857 | 502,235 | 0 |
| Total OPWC Loans | 722,448 | 0 | 68,672 | 653,776 | 0 |
| Net Pension Liability - OPERS: | | | | | |
| Sewer | 1,097,888 | 921,353 | 0 | 2,019,241 | 0 |
| Water | 1,097,886 | 921,355 | 0 | 2,019,241 | 0 |
| Total Net Pension Liability | 2,195,774 | 1,842,708 | 0 | 4,038,482 | 0 |
| Net OPEB Liability - OPERS: | | | | | |
| Sewer | 735,130 | 191,036 | 0 | 926,166 | 0 |
| Water | 735,130 | 191,036 | 0 | 926,166 | 0 |
| Total Net OPEB Liability | 1,470,260 | 382,072 | 0 | 1,852,332 | 0 |
| Capital Leases | 299,819 | 0 | 46,253 | 253,566 | 47,751 |
| Compensated Absences | 201,217 | 7,961 | 18,339 | 190,839 | 0 |
| Total Business-Type Activities | $39,742,835 | $6,017,844 | $1,910,968 | $43,849,711 | $1,211,944 |

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

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

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

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

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

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

The Various Purpose Bond Anticipation Notes were issued to finance renovations of City Hall and the administration building, for street garage roof repairs, and paving. The notes were retired and refinanced during May of 2020.

During 2018, the City entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of $37,420 at zero percent interest for the purpose of paving certain City streets. Principal payments are due January 1 and June 1 of each year through 2032.

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

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

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

The City has pledged future sewer customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2049. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is $36,431,954. Principal and interest payments for the current year were $1,417,943, net revenues were $1,885,484, and total revenues were $4,823,100.

The City has pledged future water customer revenues to repay the OWDA loans. The loans are payable solely from net revenues and are payable through 2047. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans as compared to net future revenues are not estimable but are expected to be less than net revenues in each year the loans are outstanding. The total principal and interest remaining to be paid on the loans is $10,181,927. Principal and interest payments for the current year were $375,006, net revenues were $1,086,748, and total revenues were $4,141,934.

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, 2019, are as follows:

| | Parking Lot Bonds | | Municipal Court Bonds | | Software Bonds | |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | $15,500 | $888 | $125,000 | $70,638 | $21,000 | $2,332 |
| 2021 | 0 | 0 | 125,000 | 68,137 | 21,000 | 1,912 |
| 2022 | 0 | 0 | 130,000 | 65,325 | 24,000 | 1,440 |
| 2023 | 0 | 0 | 135,000 | 61,425 | 24,000 | 720 |
| 2024 | 0 | 0 | 140,000 | 57,375 | 0 | 0 |
| 2025-2029 | 0 | 0 | 755,000 | 219,325 | 0 | 0 |
| 2029-2033 | 0 | 0 | 715,000 | 67,125 | 0 | 0 |
| | $15,500 | $888 | $2,125,000 | $609,350 | $90,000 | $6,404 |

Principal and interest requirements to retire the Armory, OPWC Paving Loan, and the SIB Loan at December 31, 2019, are as follows:

| | Armory | | OPWC | SIB | |
|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Principal | Interest |
| 2020 | $50,000 | $14,970 | $0 | $24,068 | $6,691 |
| 2021 | 50,000 | 12,475 | 2,494 | 25,921 | 6,245 |
| 2022 | 50,000 | 9,980 | 2,494 | 26,704 | 5,461 |
| 2023 | 50,000 | 7,485 | 2,494 | 27,511 | 4,655 |
| 2024 | 50,000 | 4,990 | 2,494 | 28,343 | 3,823 |
| 2025-2029 | 50,000 | 2,495 | 12,475 | 86,232 | 6,463 |
| 2030-2032 | 0 | 0 | 8,732 | 0 | 0 |
| | $300,000 | $52,395 | $31,183 | $218,779 | $33,338 |

The City’s outstanding Armory and SIB Loan from direct borrowings related to governmental activities contain provisions that in the event of default, outstanding amounts shall become immediately due and payable.

The City’s outstanding OPWC loan from direct borrowings related to governmental activities of $31,183 contain a provision that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General’s office for collection, and as provided by law, OPWC may require that such payment be taken from the City’s share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC’s option, become immediately due and payable.

Principal and interest requirements to retire the Water Fund bonds outstanding at December 31, 2019, are as follows:

| | Water Refunding Bonds | | Water Bonds | | Water Software Bonds | |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | $375,000 | $22,800 | $90,000 | $50,475 | $7,000 | $778 |
| 2021 | 385,000 | 11,550 | 90,000 | 48,675 | 7,000 | 638 |
| 2022 | 0 | 0 | 95,000 | 46,650 | 8,000 | 480 |
| 2023 | 0 | 0 | 95,000 | 43,800 | 8,000 | 240 |
| 2024 | 0 | 0 | 100,000 | 40,950 | 0 | 0 |
| 2025-2029 | 0 | 0 | 540,000 | 156,200 | 0 | 0 |
| 2030-2033 | 0 | 0 | 510,000 | 47,937 | 0 | 0 |
| | $760,000 | $34,350 | $1,520,000 | $434,687 | $30,000 | $2,136 |

Principal and interest requirements to retire the Sewer Fund bonds outstanding at December 31, 2019, are as follows:

| | Sewer Bonds | | Sewer Software Bonds | |
|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest |
| 2020 | $40,000 | $22,600 | $7,000 | $778 |
| 2021 | 40,000 | 21,800 | 7,000 | 638 |
| 2022 | 40,000 | 20,900 | 8,000 | 480 |
| 2023 | 45,000 | 19,700 | 8,000 | 240 |
| 2024 | 45,000 | 18,350 | 0 | 0 |
| 2025-2029 | 240,000 | 70,050 | 0 | 0 |
| 2030-2033 | 230,000 | 21,575 | 0 | 0 |
| | $680,000 | $194,975 | $30,000 | $2,136 |

Principal and interest requirements to retire the Water Enterprise Fund loan liabilities at December 31, 2019, are as follows:

| | OPWC Grendale Tank | | OWDA Loans | |
|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest |
| 2020 | $0 | $0 | $96,716 | $78,767 |
| 2021 | 26,333 | 2,899 | 197,818 | 153,149 |
| 2022 | 26,863 | 2,370 | 203,816 | 147,150 |
| 2023 | 27,403 | 1,830 | 209,995 | 140,975 |
| 2024 | 27,953 | 1,279 | 216,360 | 134,608 |
| 2025-2029 | 42,989 | 863 | 1,184,249 | 564,382 |
| 2030-2034 | 0 | 0 | 1,209,743 | 386,499 |
| 2035-2039 | 0 | 0 | 964,411 | 214,924 |
| 2040-2044 | 0 | 0 | 545,931 | 105,999 |
| 2045-2047 | 0 | 0 | 370,208 | 20,312 |
| | $151,541 | $9,241 | $5,199,247 | $1,946,765 |

Principal and interest requirements to retire the Sewer Enterprise Fund loan liabilities at December 31, 2019, are as follows:

| | OPWC Loans | | | OWDA Loans | |
|---|---|---|---|---|---|
| | Sludge Belt Press | | Sewer Treatment Plant | Sewer | |
| Year | Principal | Interest | Principal | Principal | Interest |
| 2020 | $0 | $0 | $0 | $59,496 | $36,697 |
| 2021 | 27,392 | 961 | 16,270 | 121,532 | 70,302 |
| 2022 | 27,395 | 416 | 16,270 | 125,006 | 66,828 |
| 2023 | 0 | 0 | 16,270 | 128,583 | 63,249 |
| 2024 | 0 | 0 | 16,270 | 98,753 | 59,885 |
| 2025-2029 | 0 | 0 | 81,355 | 532,320 | 252,772 |
| 2030-2034 | 0 | 0 | 81,355 | 602,943 | 187,248 |
| 2035-2039 | 0 | 0 | 81,355 | 588,093 | 112,367 |
| 2040-2044 | 0 | 0 | 81,355 | 425,112 | 55,632 |
| 2045-2047 | 0 | 0 | 56,948 | 277,852 | 10,591 |
| | $54,787 | $1,377 | $447,448 | $2,959,690 | $915,571 |

The City’s outstanding OPWC loans from direct borrowings related to business type activities of $653,776 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General’s office for collection, and as provided by law, OPWC may require that such payment be taken from the City’s share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC’s option, become immediately due and payable.

The City’s outstanding OWDA loans from direct borrowings related to business type activities of $33,789,213 contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

As of December 31, 2019, the City's legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $22,489,965.

## NOTE 19 - NOTES PAYABLE

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2019, were as follows:

| | Principal Outstanding 12/31/18 | Additions | Deletions | Principal Outstanding 12/31/19 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| 2018 Note - 3%: | | | | |
| City Hall Renovations | $95,000 | $0 | $95,000 | $0 |
| Street Garage Roof | 8,750 | 0 | 8,750 | 0 |
| Administration Building Renovations | 42,000 | 0 | 42,000 | 0 |
| Asphalt Paving | 10,000 | 0 | 10,000 | 0 |
| 2019 Note - 3%: | | | | |
| City Hall Renovations | 0 | 127,000 | 0 | 127,000 |
| Street Garage Roof | 0 | 10,750 | 0 | 10,750 |
| Administration Building Renovations | 0 | 57,000 | 0 | 57,000 |
| Asphalt Paving | 0 | 10,000 | 0 | 10,000 |
| **Business-Type Activities:** | | | | |
| 2018 Sewer Note - 3% | 5,000 | 0 | 5,000 | 0 |
| 2019 Sewer Note - 3% | 0 | 72,000 | 0 | 72,000 |
| Total Notes Payable | $160,750 | $276,750 | $160,750 | $276,750 |

The notes were issued to finance the renovations of the City Hall, the street garage roof, the administration building, paving, and various sewer projects. The notes will mature on May 09, 2020.

## NOTE 20 - INTERFUND TRANSFERS AND BALANCES

A. Balances

**Internal Balances – Change in Proportionate Share**

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

Eliminations made in the business type activities column include a deferred outflow of resources for the Sewer Enterprise Fund and a deferred inflow of resources for the Water Enterprise Fund in the amount of $22,830 for pension and in the amount of $15,520 for OPEB.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the business-type activities (related to the Water Enterprise Fund) and deferred inflows of resources for the governmental type activities in the amount of $62,831 for pension and $33,156 for OPEB.

**Other Internal Balances**

At year end, the Marietta Harbor Capital Projects Fund owed the General Fund $6,890 for advanced grant monies. The Recreation Fund owed the General Fund $46,677 for expenditures paid by the General Fund that should have been paid for by the Recreation Fund. The Fire Levy Special Revenue Fund owed the General Fund $95,314 for expenditures paid by the General Fund that should have been paid for by the Levy Fund. Also, the Armory Cultural Facilities Gym Special Revenue Fund owed the Capital

Improvements Capital Projects Fund $14,225 for advances made until rental income is received.

B. Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

| | Transfer In |
|---|---|
| Transfer Out | Other Nonmajor Governmental Funds |
| Major Funds: | |
| General | $68,733 |
| Capital Improvements | 19,812 |
| Other Nonmajor Governmental Funds | 73,197 |
| | $161,742 |

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

## NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

A. The Buckeye Hills Regional Council

The Buckeye Hills Regional Council serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The Council was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The Council is governed by a fifteen member board of directors. The Council is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The City contributed $1,690 to the Council during 2019. The continued existence of the Council is not dependent on the City's continued participation and no equity interest exists.

B. Washington-Morgan Community Action Corporation

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children’s' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During

2019, 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 2019, 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 22 - ENDOWMENTS

The City's permanent funds include donor-restricted endowments. Net Position – Perpetual Care – Non-expendable of $476,516 represents the principal portion of the Cemetery endowment. Net Position – Park – Non-expendable of $711 represents the principal portion of the Park endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body, for purposes consistent with the endowment's intent, is $17,136; and is included as Net Position – Perpetual Care – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to maintain certain cemetery plots and the Cisler Park each year.

## NOTE 23 - TRANSFER OF OPERATIONS

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Marietta's health department was reorganized as a legally separate organization (Marietta and Belpre Joint Consolidated Health District (Health District)) rather than continuing to operate as a department of the City. This change was effective January 1, 2019, and is being accounted for by the City as a transfer of operations. The Health District is reported as a discretely presented component unit of the City of Marietta. For 2019, the City is reporting a special item of ($11,534) on the statement of revenues, expenditures, and changes in fund balances of governmental funds and $708,640 on statement of activities for the transfer of operations. Other than the special item, the City did not report any revenues or expenditures/expenses related to the Health District prior to the transfer.

## NOTE 24 - RELATED PARTY TRANSACTIONS

Marietta and Belpre Joint Consolidated Health District (Health District), a discretely component unit of the City of Marietta, received contributions from the City for health services. These contributions are reflected as operating expenses at cost in the basic financial statements in the amount of $317,688 and they are reflected as in-kind contributions by the Health District, discretely presented component unit.

## NOTE 25 - CONTINGENCIES

A. Grants

The City received financial assistance from the federal and state agencies in the form of grants. The distribution of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2019.

B. Litigation

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

**NOTE 26 - SUBSEQUENT EVENT**

The City retired $3,535,000 various purpose bond anticipation notes bearing an interest rate of 3% on May 05, 2020, and issued General Obligation Various Purpose Bonds for $3,535,000.

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 27 - MARIETTA AND BELPRE JOINT CONSOLIDATED HEALTH DISTRICT, COMPONENT UNIT NOTE**

## Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Marietta and Belpre Joint Consolidated Health District (Health District) as a body corporate and politic. A seven member Board and a Health Commissioner govern the Health District. The Board consists of five voting members. The Mayor of the City of Marietta and the Mayor of the City of Belpre serve as non-voting members of the Board. The Health Commissioner votes only to break a tie. Consistent with the provisions of Ohio Revised Code Section 3709.36, the Health District is a legally separate organization. Among its various duties, the Health District provides for the prompt diagnosis and control of communicable diseases. The Health District may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Health District is operated by a board with two members appointed by the Mayor of Marietta; two members appointed by the Mayor of Belpre; and one member jointly appointed by the Mayors of Marietta and Belpre. The rates charged by the Health District are subject to the approval of respective City Councils. However, the City of Marietta solely provides funding to the Health District, thus the City of Marietta can impose will on the Health District, and the Health District imposes a financial burden to the City of Marietta. Therefore, the Health District is considered a discretely presented component unit of the City of Marietta.
A reporting entity is composed of the stand-alone government, component units, and other organizations

that are included to ensure the financial statements are not misleading. The Marietta and Belpre Joint Consolidated Health District consists of all funds, departments, boards, and agencies that are not legally separate from the Health District.

Component units are legally separate organizations for which the Health District is financially accountable. The Health District is financially accountable for an organization if the Health District appoints a voting majority of the organization's governing board and (1) the Health District is able to significantly influence the programs or services performed or provided by the organization; or (2) the Health District is legally entitled to or can otherwise access the organization's resources; the Health District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the Health District in that the Health District 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 Health District. There were no component units of the Health District in 2019.

The Health District's management believes these financial statements present all activities for which the Health District is financially accountable

The Health District participates in a public entity shared risk pool, the Public Entities Pool of Ohio, which is presented in Note 6 to the basic financial statements.

## Note 2 – Summary of Significant Accounting Policies

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

***Basis of Presentation***

The Health District'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 Health District as a whole.

The statement of net position presents the financial condition of the Health District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Health District's activities. 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 Health District, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental program is self-financing or draws from the general revenues of the Health District.

***Fund Financial Statements*** During the year, the Health District segregates transactions related to certain Health District 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 Health District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column.

***Fund Accounting***

The Health District 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. All of the Health District's funds are governmental funds.

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 purpose 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 liabilities and deferred inflows of resources is reported as fund balance. The following are the Health District's major governmental funds:

> ***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Health District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Home Health Services Fund*** The home health services fund accounts for donations, governmental reimbursements (welfare, BCMH, Medicare/Medicaid), and fees received for services performed. Expenditures are for medical supplies, home services, and payroll expenses.
>
> ***Vital Statistics Fund*** The vital statistics fund accounts for monies received for birth and death certificates. Expenditures are made for fees charged by the State.

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the Health District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) 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 and deferred inflows of resources 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***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. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in 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 Health District, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Health District receives value without directly giving equal value in return, includes grants and donations. Revenue from grants 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 Health District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Health District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, grants, and other.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Health District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

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 Health District, deferred inflows of resources include pension, OPEB, and unavailable revenue. 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 Health District, unavailable revenue includes intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 15.
Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide

statement of net position (see Notes 11 and 12).

***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.

***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.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2019, 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.

***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 benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the Health District has identified as probable of receiving payment in the future, after twenty years of service. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the Health District's termination policy.

***Pensions/Other Postemployment Benefits (OPEB)***

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

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, claims and judgments and compensated absences 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. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

***Net Position***

Net position represents the difference between all other elements on the statement of financial position. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Health District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Health District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Health District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The "not in spendable form" includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is *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.

***Committed*** The Board can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Health District or a Health District official delegated that authority by resolution, or by State Statute. State Statute authorizes the fiscal officer to assign fund balance for purchases on order, provided those amounts have been lawfully appropriated.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Health District 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.

***Interfund Transactions***

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## Note 3 – Transfer of Operations

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Marietta's health department and the City of Belpre's health department were reorganized as a legally separate organization rather than continuing to operate as departments of the respective Cities. This change was effective January 1, 2019, and is being accounted for as a transfer of operations in 2019. The Health District is reported as a discretely presented component unit of the City of Marietta (See Note 1). The amounts recognized as of the effective date of the transfer are as follows:

| | General | Home Health Services | Vital Statistics | Other | Total |
|---|---|---|---|---|---|
| Fund Balance at January 1, 2019 | $0 | $0 | $0 | $0 | $0 |
| Adjustments: | | | | | |
| Assets | 0 | 179,049 | 15,503 | 5,578 | 200,130 |
| Total Adjusted Fund Balance at January 1, 2019 | $0 | $179,049 | $15,503 | $5,578 | $200,130 |
| | | | | | |
| Adjusted Fund Balance at January 1, 2019 | | | | | |
| Restricted | $0 | $179,049 | $15,503 | $5,578 | $200,130 |
| Total Adjusted Fund Balance at January 1, 2019 | $0 | $179,049 | $15,503 | $5,578 | $200,130 |

| | Health District at 1/1/19 |
|---|---|
| **Assets** | |
| Current and Other Assets | $200,130 |
| *Total Assets* | 200,130 |
| | |
| **Deferred Outflows of Resources** | |
| Pension | 99,296 |
| OPEB | 20,492 |
| *Total Deferred Outflows of Resources* | 119,788 |
| **Liabilities** | |
| Long-Term Liabilities: | |
| Due Within One Year | 3,570 |
| Due in More than One Year: | |
| Net Pension Liability | 411,708 |
| Net OPEB Liability | 275,673 |
| Other Amounts | 6,559 |
| *Total Liabilities* | $697,510 |

| | Health District at 1/1/19 |
|---|---|
| **Deferred Inflows of Resources** | |
| Pension | $107,455 |
| OPEB | 26,112 |
| *Total Deferred Inflows of Resources* | 133,567 |
| | |
| **Net Position** | |
| Restricted for Public Health Services | 200,130 |
| Unrestricted (Deficit) | (711,289) |
| *Total Net Position* | ($511,159) |

## Note 4 – Deposits and Investments

The City of Marietta Treasurer is custodian for the Health District's deposits. The City's deposit and investment pool holds the Health District's assets, valued at the Treasurer's reported carrying amount.

## Note 5 – Receivables

Receivables at December 31, 2019, consisted primarily of intergovernmental receivables arising from grants and governmental reimbursements. All receivables are considered collectible in full within one year.

A summary of the principal items of intergovernmental receivables follows:

| **Intergovernmental Receivable:** | |
|---|---|
| BCMH Reimbursements | $1,560 |
| Medicare/Medicaid Reimbursements | 22,534 |
| Health Subsidy | 5,660 |
| Total | $29,754 |

## Note 6 – Risk Management

The Health District is exposed to various risks of casualty losses and injuries to employees.

***Property and Liability***

The Health District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc., a Sedgwick Company, (York) functions as the administrator of PEP and provides program management, underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

***Casualty and Property Coverage***

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. (At December 31, 2019, the Pool retained $500,000 for casualty claims and $250,000 for property claims). The Board of Directors and York periodically review the financial strength of PEP and other market conditions to determine the appropriate level of risk PEP will retain. There has been no significant reduction in coverage from last year.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

***Financial Position***

PEP's financial statements (for which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities, and net position at December 31, 2019 and 2018:

| Casualty and Property Coverage | 2019 | 2018 |
|---|---|---|
| Assets | $54,973,597 | $49,921,998 |
| Liabilities | 16,440,940 | 14,676,199 |
| Net Position - Unrestricted | $38,532,657 | $35,245,799 |

At December 31, 2019 and 2018, the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position in the preceding table include approximately $13.7 million and $11.8 million of unpaid claims to be billed to approximately 553 member governments in the future, as of December 31, 2019 and 2018, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are expected to increase slightly from those used to determine the historical contributions detailed as follows. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

The Health District's contributions for 2019 totaled $3,354.

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members may receive a partial refund of their capital contributions as defined by the contract. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

### *Workers' Compensation*

The Health District pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

## Note 7 – Other Employee Benefits

### *Compensated Absences*

The criteria for determining vested vacation and sick leave benefits are derived from Health District policies and State laws. Upon retirement, all employees hired prior to January 1, 1988, are paid 100% of their sick leave up to a maximum of 120 days. All employees hired after January 1, 1988, but before June 1, 2019, are paid fifty percent of their sick leave at the time of retirement up to a maximum of 60 days accumulation. All employees hired on or after June 1, 2019, are paid twenty-five percent of their sick leave at the time of retirement up to a maximum of 30 days accumulation.

Upon voluntary termination, all employees will receive 100% of vacation earned and not previously taken.

### *Insurance*

The Health District 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 Health District provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis. The Health District pays 82.5%. Rates are $339.90 per employee. Premiums are paid from the same funds that pay the employees' salaries.

## Note 8 – Long-Term Obligations

A schedule of changes in long-term obligations of the Health District during 2019 follows:

| | Balance 1/1/2019 | Additions | Deletions | Balance 12/31/2019 | Amounts Due In One Year |
|---|---|---|---|---|---|
| ***Governmental Activities*** | | | | | |
| **Other Long-Term Obligations** | | | | | |
| Net Pension Liability: | | | | | |
| OPERS | $411,708 | $300,966 | $0 | $712,674 | $0 |
| Net OPEB Liability: | | | | | |
| OPERS | 275,673 | 51,210 | 0 | 326,883 | 0 |
| Compensated Absences | 10,129 | 4,231 | (6,559) | 7,801 | 0 |
| *Total Governmental Activities* | $697,510 | $356,407 | ($6,559) | $1,047,358 | $0 |

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the funds benefitting from their service. For additional information related to the net pension liability and the net OPEB liability, see Notes 11 and 12. Compensated absences will be paid from the general fund.

## Note 9 – Contingencies

### *Grants*

Amounts grantor agencies pay to the Health District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

### *Litigation*

Management is not aware of any pending litigation.

## Note 10 – Fund Balances

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

| Fund Balances | General | Home Health Services | Vital Statistics | All Other | Total |
|---|---|---|---|---|---|
| Nonspendable for Prepaids | $12,323 | $11,205 | $0 | $0 | $23,528 |
| Restricted for Public Health Services | 0 | 211,102 | 3,783 | 23,851 | 238,736 |
| Assigned to Purchases on Order | 226 | 0 | 0 | 0 | 226 |
| Unassigned | 44,665 | 0 | 0 | 0 | 44,665 |
| Total Fund Balances | $57,214 | $222,307 | $3,783 | $23,851 | $307,155 |

## Note 11 – Defined Benefit Pension Plan

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

***Net Pension Liability (Asset)/Net OPEB Liability***

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

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

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

GASB 68/75 assume the liabilities are solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities (asset).

Resulting adjustments to the net pension/OPEB liabilities (asset) would be effective when the changes are legally enforceable. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

***Plan Description – Ohio Public Employees Retirement System***

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

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

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

| **Group A**<br>Eligible to retire prior to<br>January 7, 2013 or five years<br>after January 7, 2013 | **Group B**<br>20 years of service credit prior to<br>January 7, 2013 or eligible to retire<br>ten years after January 7, 2013 | **Group C**<br>Members not in other Groups<br>and members hired on or after<br>January 7, 2013 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| **Age and Service Requirements:**<br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit<br>or Age 62 with 5 years of service credit |
| **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | **Traditional Plan Formula:**<br>2.2% of FAS multiplied by years of<br>service for the first 35 years and 2.5%<br>for service years in excess of 35 |
| **Combined Plan Formula:**<br>1% of FAS multiplied by years of<br>service for the first 30 years and 1.25%<br>for service years in excess of 30 | **Combined Plan Formula:**<br>1% of FAS multiplied by years of<br>service for the first 30 years and 1.25%<br>for service years in excess of 30 | **Combined Plan Formula:**<br>1% of FAS multiplied by years of<br>service for the first 35 years and 1.25%<br>for service years in excess of 35 |

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for a COLA. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

| | State and Local |
|---|---|
| **2019 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| | |
| **2019 Actual Contribution Rates** | |
| Employer: | |
| Pension ** | 14.0 % |
| Post-employment Health Care Benefits ** | 0.0 |
| | |
| Total Employer | 14.0 % |
| | |
| Employee | 10.0 % |

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
** These pension and employer healthcare rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for healthcare with the remainder going to pension.

For 2019, the Health District's contractually required contribution was $51,080 for the traditional plan. Of these amounts, $5,827 is reported as an intergovernmental payable for the traditional plan.

***Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Health District's proportion of the net pension liability (asset) was based on the Health District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the Health District's defined benefit pension plans:

| | OPERS Traditional Plan |
|---|---|
| Proportion of the Net Pension Liability/Asset: | |
| Current Measurement Date | 0.00260214% |
| Prior Measurement Date | 0.00262434% |
| Change in Proportionate Share | -0.00002220% |
| | |
| Proportionate Share of the: | |
| Net Pension Liability | $712,674 |
| | |
| Pension Expense | 150,185 |

At December 31, 2019, the Health District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

| | OPERS Traditional Plan |
|---|---|
| **Deferred Outflows of Resources** | |
| Differences between expected and actual experience | $33 |
| Changes of assumptions | 62,040 |
| Net difference between projected and actual earnings on pension plan investments | 96,729 |
| Board of Health contributions subsequent to the measurement date | 51,080 |
| Total Deferred Outflows of Resources | $209,882 |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $9,358 |
| Changes in proportion and differences between Board of Health contributions and proportionate share of contributions | 6,822 |
| Total Deferred Inflows of Resources | $16,180 |

$51,080 reported as deferred outflows of resources related to pension resulting from Health District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS Traditional Plan |
|---|---|
| Year Ending December 31: | |
| 2020 | $58,661 |
| 2021 | 30,002 |
| 2022 | 8,972 |
| 2023 | 44,987 |
| 2024 | 0 |
| Total | $142,622 |

***Actuarial Assumptions – OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented as follows:

| | OPERS Traditional Plan | OPERS Combined Plan |
|---|---|---|
| Wage Inflation | 3.25 percent | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 3.25 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA: | | |
| Pre-January 7, 2013 Retirees | 3 percent, simple | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent, simple through 2018, then 2.15 percent, simple | 3 percent, simple through 2018, then 2.15 percent, simple |
| Investment Rate of Return | 7.2 percent | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the traditional pension plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 23.00 % | 2.79 % |
| Domestic Equities | 19.00 | 6.21 |
| Real Estate | 10.00 | 4.90 |
| Private Equity | 10.00 | 10.81 |
| International Equities | 20.00 | 7.83 |
| Other Investments | 18.00 | 5.50 |
| Total | 100.00 % | 5.95 % |

***Discount Rate*** For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members; therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Health District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate*** The following table presents the Health District's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the Health District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| Board of Health's proportionate share of the net pension liability (asset): | | | |
| OPERS Traditional Plan | $1,052,826 | $712,674 | $430,004 |

## Note 12 – Defined Benefit OPEB Plans

See Note 11 for a description of the net pension liability.

***Plan Description – Ohio Public Employees Retirement System***

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' annual financial report referenced later for additional information.

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

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

Funding Policy – The ORC provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Health District's contractually required contribution was $278. There was no intergovernmental payable for 2019.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Health District's proportion of the net OPEB liability was based on the Health District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS |
|---|---|
| Proportion of the Net OPEB Liability: | |
| Current Measurement Date | 0.00250722% |
| Prior Measurement Date | 0.00253860% |
| Change in Proportionate Share | -0.00003138% |
| Proportionate Share of the Net OPEB Liability | $326,883 |
| OPEB Expense | 26,037 |

At December 31, 2019, the Health District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Differences between expected and actual experience | $110 |
| Changes of assumptions | 10,539 |
| Net difference between projected and actual earnings on OPEB plan investments | 14,986 |
| Board of Health contributions subsequent to the measurement date | 278 |
| Total Deferred Outflows of Resources | $25,913 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $887 |
| Changes of assumptions | 0 |
| Net difference between projected and actual earnings on OPEB plan investments | 0 |
| Changes in proportion and differences between Board contributions and proportionate share of contributions. | 5,195 |
| Total Deferred Inflows of Resources | $6,082 |

$278 reported as deferred outflows of resources related to OPEB resulting from Health District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | OPERS |
|---|---|
| Year Ending December 31: | |
| 2020 | $7,925 |
| 2021 | 1,645 |
| 2022 | 2,435 |
| 2023 | 7,548 |
| Total | $19,553 |

***Actuarial Assumptions – OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single Discount Rate: | |
| Current Measurement Date | 3.96 percent |
| Prior Measurement Date | 3.85 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate: | |
| Current Measurement Date | 3.71 percent |
| Prior Measurement Date | 3.31 percent |
| Health Care Cost Trend Rate: | |
| Current Measurement Date | 10.0 percent, initial<br>3.25 percent, ultimate in 2029 |
| Prior Measurement Date | 7.25 percent, initial<br>3.25 percent, ultimate in 2028 |
| Actuarial Cost Method | Individual Entry Age Normal |

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was effective for the 2018 valuation.

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 34.00 % | 2.42 % |
| Domestic Equities | 21.00 | 6.21 |
| Real Estate Investment Trust | 6.00 | 5.98 |
| International Equities | 22.00 | 7.83 |
| Other Investments | 17.00 | 5.57 |
| Total | 100.00 % | 5.16 % |

***Discount Rate*** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the Health District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents the Health District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Health District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.96 percent) or one percentage point higher (4.96 percent) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Board of Health's proportionate share of the net OPEB liability | $418,204 | $326,883 | $254,257 |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

| | 1% Decrease | Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| Health District's proportionate share of the net OPEB liability | $314,205 | $326,883 | $341,483 |

## Note 13 – 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 amounts of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

| | |
|---|---|
| General | $226 |

## Note 14 – Related Party Transactions

The Health District received contributions of $317,688 from the City of Marietta in 2019.

## Note 15 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Health District. The investments of the pension and other employee benefit plan in which the Health District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Health District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| City's Proportion of the Net Pension Liability | 0.04076686% | 0.0437390% | 0.0450670% | 0.0460500% | 0.0447790% | 0.0447790% |
| City's Proportionate Share of the Net Pension Liability | $11,165,216 | $6,861,802 | $10,233,950 | $7,976,440 | $5,400,850 | $5,278,861 |
| City's Covered Payroll | $5,857,729 | $5,780,200 | $5,841,708 | $5,713,393 | $5,489,950 | $5,263,897 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 190.61% | 118.71% | 175.19% | 139.61% | 98.38% | 100.28% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

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

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

See accompanying notes to the required supplementary information

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| City's Proportion of the Net Pension Liability | 0.1882620% | 0.1913490% | 0.1938020% | 0.2030680% | 0.2019690% | 0.2019690% |
| City's Proportionate Share of the Net Pension Liability | $15,367,154 | $11,743,952 | $12,275,225 | $13,063,507 | $10,462,836 | $9,836,523 |
| City's Covered Payroll | $4,196,354 | $4,124,587 | $4,097,169 | $4,110,039 | $3,959,279 | $3,459,395 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 366.20% | 284.73% | 299.60% | 317.84% | 264.26% | 284.34% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 63.07% | 70.91% | 68.36% | 66.77% | 71.71% | 73.00% |

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

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

See accompanying notes to the required supplementary information.

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| City's Proportion of the Net OPEB Liability | 0.0392798% | 0.0423100% | 0.0436700% |
| City's Proportionate Share of the Net OPEB Liability | $5,121,155 | $4,594,553 | $4,410,818 |
| City's Covered Payroll | $6,060,975 | $5,992,937 | $6,035,125 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 84.49% | 76.67% | 73.09% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.33% | 54.14% | 54.04% |

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

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

See accompanying notes to the report supplementary information

**City of Marietta, Ohio**

*Required Supplementary Information*

*Schedule of the City's Proportionate Share of the Net OPEB Liability*

*Ohio Police and Fire Pension Fund*

*Last Three Years (1)*

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| City's Proportion of the Net OPEB Liability | 0.1882620% | 0.1913490% | 0.1938020% |
| City's Proportionate Share of the Net OPEB Liability | $1,714,414 | $10,841,567 | $9,199,345 |
| City's Covered Payroll | $4,196,354 | $4,124,587 | $4,097,169 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 40.85% | 262.85% | 224.53% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.57% | 14.13% | 15.96% |

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

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

See accompanying notes to the report supplementary information

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

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| **Net Pension Liability - Traditional Plan** | | | | |
| Contractually Required Contribution | $800,259 | $820,082 | $751,426 | $701,005 |
| Contributions in Relation to the Contractually Required Contribution | (800,259) | (820,082) | (751,426) | (701,005) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| City Covered Payroll | $5,716,136 | $5,857,729 | $5,780,200 | $5,841,708 |
| Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 13.00% | 12.00% |
| **Net OPEB Liability - OPEB Plan (3)** | | | | |
| Contractually Required Contribution | $4,355 | $3,433 | $62,752 | $122,486 |
| Contributions in Relation to the Contractually Required Contribution | (4,355) | (3,433) | (62,752) | (122,486) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| City Covered Payroll | $5,897,232 | $6,060,975 | $5,992,937 | $6,035,125 |
| Contributions as a Percentage of Covered Payroll | 0.07% | 0.06% | 1.05% | 2.03% |

(1) Information prior to 2013 is not available.
(2) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed plan is a defined contribution plan: therefore, the pension side is not included above.

(3) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

| 2015 | 2014 | 2013 |
|---|---|---|
| $685,607 | $658,794 | $684,307 |
| (685,607) | (658,794) | (684,307) |
| $0 | $0 | $0 |
| $5,713,393 | $5,489,950 | $5,263,897 |
| 12.00% | 12.00% | 13.00% |

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

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| **Net Pension Liability** | | | | |
| Contractually Required Contribution | $941,875 | $901,376 | $885,905 | $878,981 |
| Contributions in Relation to the Contractually Required Contribution | (941,875) | (901,376) | (885,905) | (878,981) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| City Covered Payroll (1) | $4,390,152 | $4,196,354 | $4,124,587 | $4,097,169 |
| Pension Contributions as a Percentage of Covered Payroll | 21.45% | 21.48% | 21.48% | 21.45% |
| **Net OPEB Liability** | | | | |
| Contractually Required Contribution | $21,951 | $20,982 | $20,623 | $20,486 |
| Contributions in Relation to the Contractually Required Contribution | (21,951) | (20,982) | (20,623) | (20,486) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.50% | 0.50% | 0.50% | 0.50% |
| Total Contributions as a Percentage of Covered Payroll | 21.95% | 21.98% | 21.98% | 21.95% |

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

See accompanying notes to the required supplementary information.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| $880,336 | $845,227 | $628,970 | $556,699 | $575,545 | $581,179 |
| (880,336) | (845,227) | (628,970) | (556,699) | (575,545) | (581,179) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $4,110,039 | $3,959,279 | $3,459,395 | $3,681,244 | $3,853,473 | $3,798,316 |
| 21.42% | 21.35% | 18.18% | 15.12% | 14.94% | 15.30% |
| $20,551 | $19,796 | $125,115 | $248,484 | $260,110 | $256,387 |
| (20,551) | (19,796) | (125,115) | (248,484) | (260,110) | (256,387) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| 0.50% | 0.50% | 3.62% | 6.75% | 6.75% | 6.75% |
| 21.92% | 21.85% | 21.80% | 21.87% | 21.69% | 22.05% |

## Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and in 2016 and prior are presented below:

| | 2019 | 2017 | 2016 and prior |
|---|---|---|---|
| Wage Inflation | 3.25 percent | 3.25 percent | 3.75 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 3.25 to 10.75 percent including wage inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA: | | | |
| Pre-January 7, 2013 Retirees | 3 percent, simple | 3 percent, simple | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent, simple through 2018, then 2.15 percent, simple | 3 percent, simple through 2018, then 2.15 percent, simple | 3 percent, simple through 2018, then 2.8 percent, simple |
| Investment Rate of Return | 7.2 percent | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | Individual Entry Age |

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

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

## Changes in Assumptions – OP&F Pension

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

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

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

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

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

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

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

**Changes in Assumptions – OPERS OPEB**

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost tend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

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

**Changes in Assumptions – OP&F OPEB**

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

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

**Changes in Benefit Terms – OP&F OPEB**

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**CITY OF MARIETTA, OHIO**
**WASHINGTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED December 31, 2019**

| **FEDERAL GRANTOR**<br>***Pass Through Grantor***<br>**Program / Cluster Title** | **Federal CFDA Number** | **Pass Through Entity Identifying Number** | **Provided Through to Subrecipients** | **Total Federal Expenditures** |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | | |
| ***Direct from Federal Government:*** | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-19-MC-39-0018 | $0 | $277,612 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-18-MC-39-0018 | 0 | 59,124 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-17-MC-39-0018 | 0 | 15,389 |
| Total Community Development Block Grants/Entitlement Grants Cluster | | | 0 | 352,125 |
| Family Self Sufficiency Program | 14.896 | N/A | 32,782 | 32,782 |
| Section 8 Housing Choice Vouchers | 14.871 | N/A | 2,123,428 | 2,123,428 |
| Mainstream Vouchers | 14.879 | | 46,478 | 46,478 |
| Total Housing Voucher Cluster | | | 2,169,906 | 2,169,906 |
| Shelter Plus Care | 14.238 | OH0428L5E071706 | 16,622 | 16,622 |
| Shelter Plus Care | 14.238 | OH0428L5E071807 | 18,693 | 18,693 |
| Total Shelter Plus Care | | | 35,315 | 35,315 |
| Total U.S. Department of Housing and Urban Development | | | **2,238,003** | **2,590,128** |
| **U.S. DEPARTMENT OF JUSTICE** | | | | |
| ***Passed through the Ohio Attorney General's Office:*** | | | | |
| Crime Victim Assistance | 16.575 | 2020-VOCA-132923902 | 0 | 13,516 |
| Crime Victim Assistance | 16.575 | 2019-VOCA-132131955 | 0 | 39,843 |
| Total Crime Victim Assistance | | | 0 | 53,359 |
| **Passed through Ohio Department of Public Safety:** | | | | |
| Violence Against Women Formula Grants | 16.588 | 2018-WF-VA2-8424 | 0 | 37,683 |
| Total U.S. Department of Justice | | | **0** | **91,042** |
| **U.S. DEPARTMENT OF TRANSPORTATION** | | | | |
| ***Passed Through Ohio Department of Transportation*** | | | | |
| Highway Planning and Construction (Marietta River Trail Phase 5) | 20.205 | PID #99479 | 0 | 17,793 |
| Highway Planning and Construction (Landslide Repair) | 20.205 | PID #105024 | 0 | 70,510 |
| Highway Planning and Construction (Signals/Fiber) | 20.205 | PID #106509 | 0 | 36,376 |
| Highway Planning and Construction (SRTS Infrastructure) | 20.205 | PID #109579 | 0 | 5,679 |
| Total Highway Planning and Construction Cluster | | | 0 | 130,358 |
| Total U.S. Department of Transportation | | | **0** | **130,358** |
| **Total Expenditures of Federal Awards** | | | **$2,238,003** | **$2,811,528** |

*The accompanying notes are an integral part of this schedule.*

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**2 CFR 200.510(b)(6)**
**FOR THE YEAR ENDED DECEMBER 31, 2019**

## NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Marietta, Washington County, Ohio (the City), under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

## NOTE C – INDIRECT COST RATE

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

## NOTE D - SUBRECIPIENTS

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

## NOTE E - 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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KEITH FABER

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2020 wherein we noted the City restated net position due to capital assets being overstated in previous years. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the City.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. 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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2020

OHIO AUDITOR OF STATE
KEITH FABER

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

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

To the City Council:

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

We have audited the City of Marietta, Washington County, Ohio (the City), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Marietta's major federal program for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the City's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the City of Marietta, Washington County, Ohio 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, 2019.

***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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2020

**CITY OF MARIETTA**
**WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS**
**2 CFR § 200.515**
**DECEMBER 31, 2019**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| ***(d)(1)(i)*** | **Type of Financial Statement Opinion** | Unmodified |
| ***(d)(1)(ii)*** | **Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(ii)*** | **Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(iii)*** | **Was there any reported material noncompliance at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(iv)*** | **Were there any material weaknesses in internal control reported for major federal programs?** | No |
| ***(d)(1)(iv)*** | **Were there any significant deficiencies in internal control reported for major federal programs?** | No |
| ***(d)(1)(v)*** | **Type of Major Programs' Compliance Opinion** | Unmodified |
| ***(d)(1)(vi)*** | **Are there any reportable findings under 2 CFR § 200.516(a)?** | No |
| ***(d)(1)(vii)*** | **Major Programs (list):**<br>• Housing Voucher Cluster, CFDA #14.871/14.879 | |
| ***(d)(1)(viii)*** | **Dollar Threshold: Type A\B Programs** | Type A: > $ 750,000<br>Type B: all others |
| ***(d)(1)(ix)*** | **Low Risk Auditee under 2 CFR § 200.520?** | Yes |

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

**None**

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**None**

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# CITY OF MARIETTA
# WASHINGTON COUNTY

## SINGLE AUDIT

## FOR THE YEAR ENDED DECEMBER 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER

**CITY OF MARIETTA**
**WASHINGTON COUNTY**
**DECEMBER 31, 2019**

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OHIO AUDITOR OF STATE
KEITH FABER

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**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

December 9, 2020

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

To the Members of Council:

We have audited the financial statements of the City of Marietta, Washington County, Ohio (the City), as of and for the year ended December 31, 2019, and have issued our report thereon dated December 9, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

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

Keith Faber
Auditor of State
Columbus, Ohio

Enclosures

CITY OF MARIETTA
WASHINGTON COUNTY
FINANCIAL DATA SCHEDULE

| Line Item No. | Description | 14.871 - Section 8 Total |
|---|---|---|
| 111 | Cash-unrestricted | 27,701 |
| 112 | Cash-restricted-modernization and development | 0 |
| 113 | Cash-other restricted | 205,892 |
| 114 | Cash-tenant security deposits | 0 |
| 115 | Cash - Restricted for payment of current liabilities | 5,381 |
| 100 | **Total Cash** | 238,974 |
| 121 | Accounts receivable - PHA projects | 213 |
| 122 | Accounts receivable - HUD other projects | 0 |
| 124 | Account receivable - other government | 0 |
| 125 | Account receivable - miscellaneous | 0 |
| 126 | Accounts receivable - tenants | 0 |
| 126.1 | Allowance for doubtful accounts - tenants | 0 |
| 126.2 | Allowance for doubtful accounts - other | 0 |
| 127 | Notes, Loans, & Mortgages Receivable - Current | 0 |
| 128 | Fraud recovery | 0 |
| 128.1 | Allowance for doubtful accounts - fraud | 0 |
| 129 | Accrued interest receivable | 0 |
| 120 | **Total receivables, net of allowance for doubtful accounts** | 213 |
| 131 | Investments - unrestricted | 0 |
| 132 | Investments - restricted | 0 |
| 135 | Investments - Restricted for payment of current liability | 0 |
| 142 | Prepaid expenses and other assets | 0 |
| 143 | Inventories | 0 |
| 143.1 | Allowance for obsolete inventories | 0 |
| 144 | Inter program - due from | 0 |
| 145 | Assets held for sale | 0 |
| 150 | **Total Current Assets** | 239,187 |
| 161 | Land | 0 |
| 162 | Buildings | 0 |
| 163 | Furniture, equipment and machinery - dwellings | 0 |
| 164 | Furniture, equipment and machinery - administration | 0 |
| 165 | Leasehold improvements | 0 |
| 166 | Accumulated depreciation | 0 |
| 167 | Construction in progress | 0 |
| 168 | Infrastructure | 0 |
| 160 | **Total capital assets, net of accumulated depreciation** | 0 |
| 171 | Notes, Loans, & mortgages receivable – Non-current | 0 |
| 172 | Notes, Loans, & mortgages receivable – Non-current - past due | 0 |
| 173 | Grants receivable – Non-current | 0 |
| 174 | Other assets | 0 |
| 176 | Investment in joint venture | 0 |
| 180 | **Total Non-current Assets** | 0 |
| 200 | Deferred Outflow of Resources | 0 |
| 290 | **Total Assets and Deferred Outflow of Resources** | 239,187 |
| 311 | Bank overdraft | 0 |
| 312 | Accounts payable <= 90 days | 1,526 |
| 313 | Accounts payable > 90 days past due | 0 |
| 321 | Accrued wage/payroll taxes payable | 3,855 |
| 322 | Accrued compensated absences - current portion | 0 |
| 324 | Accrued contingency liability | 0 |
| 325 | Accrued interest payable | 0 |
| 331 | Accounts payable - HUD PHA Programs | 0 |
| 332 | Accounts payable - PHA Projects | 0 |
| 333 | Accounts payable - other government | 0 |
| 341 | Tenant security deposits | 0 |
| 342 | Unearned revenue | 0 |
| 343 | Current portion of long-term debt - capital projects/mortgage revenue bonds | 0 |
| 344 | Current portion of long-term debt - operating borrowings | 0 |
| 345 | Other current liabilities | 0 |
| 346 | Accrued liabilities - other | 0 |
| 347 | Inter program - due to | 0 |
| 348 | Loan liability - current | 0 |
| 310 | **Total Current Liabilities** | 5,381 |
| 351 | Long-term debt, net of current - capital projects/mortgage revenue | 0 |
| 352 | Long-term debt, net of current - operating borrowings | 0 |
| 353 | Non-current liabilities - other | 126,184 |
| 354 | Accrued compensated absences- Non-current | 0 |
| 355 | Loan liability – Non-current | 0 |
| 356 | FASB 5 Liabilities | 0 |
| 357 | Accrued Pension and OPEB Liability | 0 |
| 350 | **Total Non-current liabilities** | 126,184 |
| 300 | **Total Liabilities** | 131,565 |
| 400 | Deferred Inflow of Resources | 0 |
| 508.4 | Net Investment in Capital Assets | 0 |
| 511.4 | Restricted Net Position | 79,921 |
| 512.4 | Unrestricted Net Position | 27,701 |
| 513 | **Total Equity - Net Assets/Position** | 107,622 |
| 600 | **Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position** | 239,187 |
| 70300 | Net tenant rental revenue | 0 |
| 70400 | Tenant revenue - other | 0 |
| 70500 | Total Tenant Revenue | 0 |

CITY OF MARIETTA
WASHINGTON COUNTY
FINANCIAL DATA SCHEDULE

| Line Item No. | Description | 14.871 - Section 8 Total |
|---|---|---|
| 70600-010 | Housing assistance payments | 1,889,773 |
| 70600-020 | Ongoing administrative fees earned | 231,254 |
| 70600-030 | Hard to house fee revenue | 0 |
| 70600-031 | FSS Coordinator | 32,782 |
| 70600-040 | Actual independent public accountant audit costs | 0 |
| 70600-050 | Total preliminary fees earned | 0 |
| 70600-060 | All other fees | 0 |
| 70600-070 | Admin fee calculation description | Allocated by HUD |
| 70600 | **HUD PHA operating grants** | 2,153,809 |
| | | |
| 70610 | Capital grants | 0 |
| | | |
| 70800 | Other government grants | 0 |
| 71100 | Investment income - unrestricted | 1,063 |
| 71200 | Mortgage interest income | 0 |
| 71300 | Proceeds from disposition of assets held for sale | 0 |
| 71310 | Cost of sale of assets | 0 |
| 71400 | Fraud recovery | 2,190 |
| 71500 | Other revenue | 22,726 |
| 71600 | Gain or loss on sale of capital assets | 0 |
| 72000 | Investment income - restricted | 66 |
| 70000 | **Total Revenue** | 2,179,854 |
| | | |
| 91100 | Administrative salaries | 40,349 |
| 91200 | Auditing fees | 10,391 |
| 91300 | Management Fee | 0 |
| 91310 | Book-Keeping Fee | 0 |
| 91400 | Advertising and Marketing | 0 |
| 91500 | Employee benefit contributions - administrative | 16,767 |
| 91600 | Office Expenses | 0 |
| 91700 | Legal Expense | 0 |
| 91800 | Travel | 826 |
| 91810 | Allocated Overhead | 0 |
| 91900 | Other | 6,492 |
| 91000 | **Total Operating-Administrative** | 74,825 |
| | | |
| 92000 | Asset Management Fee | 0 |
| | | |
| 92100 | Tenant services - salaries | 107,014 |
| 92200 | Relocation Costs | 0 |
| 92300 | Employee benefit contributions - tenant services | 36,349 |
| 92400 | Tenant services - other | 58,703 |
| 92500 | **Total Tenant Services** | 202,066 |
| | | |
| 93100 | Water | 0 |
| 93200 | Electricity | 0 |
| 93300 | Gas | 0 |
| 93400 | Fuel | 0 |
| 93500 | Labor | 0 |
| 93600 | Sewer | 0 |
| 93700 | Employee benefit contributions - utilities | 0 |
| 93800 | Other utilities expense | 0 |
| 93000 | **Total Utilities** | 0 |
| | | |
| 94100 | Ordinary maintenance and operations - labor | 0 |
| 94200 | Ordinary maintenance and operations - materials and other | 0 |
| 94300 | Ordinary Maintenance and Operations Contracts | 0 |
| 94500 | Employee benefit contribution - ordinary maintenance | 0 |
| 94000 | **Total Maintenance** | 0 |
| | | |
| 95100 | Protective services - labor | 0 |
| 95200 | Protective services - other contract costs | 0 |
| 95300 | Protective services - other | 0 |
| 95500 | Employee benefit contributions - protective services | 0 |
| 95000 | **Total Protective Services** | 0 |
| | | |
| 96110 | Property Insurance | 0 |
| 96120 | Liability Insurance | 0 |
| 96130 | Workmen's Compensation | 0 |
| 96140 | All other Insurance | 0 |
| 96100 | **Total Insurance Premiums** | 0 |
| | | |
| 96200 | Other general expenses | 0 |
| 96210 | Compensated absences | 0 |
| 96300 | Payments in lieu of taxes | 0 |
| 96400 | Bad debt - tenant rents | 0 |
| 96500 | Bad debt - mortgages | 0 |
| 96600 | Bad debt - other | 0 |
| 96800 | Severance expense | 0 |
| 96000 | **Total Other General Expenses** | 0 |
| | | |
| 96710 | Interest of Mortgage (or Bonds) Payable | 0 |
| 96720 | Interest on Notes Payable (Short and Long Term) | 0 |
| 96730 | Amortization of Bond Issue Costs | 0 |
| 96700 | **Total Interest Expense and Amortization Cost** | 0 |
| | | |
| 96900 | **Total Operating Expenses** | 276,891 |
| | | |
| 97000 | **Excess Revenue Over Operating Expenses** | 1,902,963 |

# CITY OF MARIETTA
# WASHINGTON COUNTY
# FINANCIAL DATA SCHEDULE

| Line Item No. | Description | 14.871 - Section 8 Total |
|---|---|---|
| 97100 | Extraordinary maintenance | 0 |
| 97200 | Casualty losses- Non-capitalized | 0 |
| 97300-010 | Mainstream 1 & 5 year | 0 |
| 97300-020 | Home-Ownership | 13,073 |
| 97300-025 | Litigation | 0 |
| 97300-030 | Hope IV | 0 |
| 97300-040 | Tenant Protection | 936 |
| 97300-041 | Portability-Out | 17,194 |
| 97300-045 | FSS Escrow Deposits | 56,606 |
| 97300-049 | All Other "Special" Vouchers (i.e. FUP, NED, etc.) | 147,450 |
| 97300-050 | All Other | 1,631,917 |
| 97300 | Housing assistance payments | 1,867,176 |
| 97350 | HAP Portability-in | 12,143 |
| 97400 | Depreciation expense | 0 |
| 97500 | Fraud losses | 0 |
| 97800 | Dwelling units rent expense | 0 |
| 90000 | **Total Expenses** | 2,156,210 |
| | | |
| 10010 | Operating transfer in | 0 |
| 10020 | Operating transfer out | 0 |
| 10030 | Operating transfers from / to primary government | 0 |
| 10040 | Operating transfers from / to component unit | 0 |
| 10070 | Extraordinary items, net gain/loss | 0 |
| 10080 | Special items, net gain/loss | 0 |
| 10093 | Transfers between Programs and Projects - in | 0 |
| 10094 | Transfers between Programs and Projects - out | 0 |
| 10100 | **Total other financing sources (uses)** | 0 |
| | | |
| 10000 | **Excess (Deficiency) of Revenue Over (Under) Expenses** | 23,644 |
| | | |
| 11020 | Required Annual Debt Principal Payments | 0 |
| | | |
| 11030 | Beginning equity | 83,978 |
| | | |
| 11040 | **Prior period adjustments, equity transfers, and correction of errors** | 0 |
| | | |
| 11170-001 | Administrative Fee Equity- Beginning Balance | 39,493 |
| 11170-010 | Administrative Fee Revenue | 231,254 |
| 11170-020 | Hard to House Fee Revenue | 0 |
| 11170-021 | FSS Coordinator Grant | 32,782 |
| 11170-030 | Audit Costs | 0 |
| 11170-040 | Investment Income | 1,063 |
| 11170-045 | Fraud Recovery Revenue | 0 |
| 11170-050 | Other Revenue | 12,143 |
| 11170-051 | Comment for Other Revenue | Port In |
| 11170-060 | Total Admin Fee Revenues | 277,242 |
| 11170-080 | Total Operating Expenses | 276,891 |
| 11170-090 | Depreciation | 0 |
| 11170-095 | Housing Assistance Portability In | 12,143 |
| 11170-100 | Other Expenses | 0 |
| 11170-101 | Comment for Other Expense | None |
| 11170-110 | Total Expenses | 289,034 |
| 11170-002 | Net Administrative Fee | (11,792) |
| 11170-003 | Administrative Fee Equity- Ending Balance | 27,701 |
| 11170-005 | Pre-2004 Administrative Fee Reserves | 0 |
| 11170-006 | Post-2003 Administrative Fee Reserves | 27,701 |
| 11170 | **Administrative Fee Equity** | 27,701 |
| | | |
| 11180-001 | Housing Assistance Payments Equity - Begining Balance | 44,485 |
| 11180-010 | Housing Assistance Payment Revenues | 1,889,773 |
| 11180-015 | Fraud Recovery Revenue | 2,190 |
| 11180-020 | Other Revenue | 10,583 |
| 11180-021 | Comment for Other Revenue | Escrow Forfeits |
| 11180-025 | Investment Income | 66 |
| 11180-030 | Total HAP Revenues | 1,902,612 |
| 11180-080 | Housing Assistance Payments | 1,867,176 |
| 11180-090 | Other Expenses | 0 |
| 11180-091 | Comments for Other Expenses | None |
| 11180-100 | Total Housing Assistance Payments Expenses | 1,867,176 |
| 11180-002 | Net Housing Assistance Payments | 35,436 |
| 11180-003 | Housing Assistance Payments Equity-Ending Balance | 79,921 |
| 11180 | **Housing Assistance Payments Equity** | 79,921 |
| | | |
| 11190-210 | Total ACC HCV Units | 5,904 |
| 11190-220 | Unfunded Units | 0 |
| 11190-230 | Other Adjustments | 0 |
| 11190 | **Unit Months Available** | 5,904 |
| 11210 | **Unit Months Leased** | 4,846 |

OHIO AUDITOR OF STATE
KEITH FABER

**CITY OF MARIETTA**

**WASHINGTON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 12/24/2020**