



Mary Taylor, CPA  
Auditor of State



**CITY OF MARIETTA  
WASHINGTON COUNTY**

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**CITY OF MARIETTA  
WASHINGTON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Street and Community Development Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 5, 2007

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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The discussion and analysis of the City of Marietta's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. 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 2006 are as follows:

- In total, net assets increased \$134,315. Net assets of governmental activities increased \$624,501 and the business-type activities decreased \$490,186.
- General governmental revenues accounted for \$10,559,505 in revenue or 64% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,848,168 or 36% of total revenues of \$16,407,673.
- For governmental activities, total assets decreased \$821,744. Cash decreased \$406,285, while investments increased \$533,743. Capital assets decreased \$923,447. Total liabilities decreased \$1,446,245. Accounts payable, contracts payable, and notes payable decreased \$132,712, \$407,574, and \$1,000,000, respectively. These decreases were offset by the due to other governments and vacation benefits payable increases of \$162,404 and \$33,037.
- For business-type activities, total assets decreased \$970,273, with \$1,122,845 of the decrease attributed to capital assets. This decrease was offset by an increase in materials and supplies inventory of \$59,799. Total liabilities decreased \$480,087, mainly from decreases in long-term liabilities of \$461,016.
- Significant variances in budgeted revenues and expenditures resulted in limited General Fund expenditures at the end of 2006.

### **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 Assets 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 financial 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.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
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***Reporting the City of Marietta as a Whole***

*Statement of Net Assets 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 2006?" The Statement of Net Assets 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 assets 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 Assets 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 capital expenses associated with the facilities.

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

*Fund Financial Statements*

Fund financial statements begin on page 16. 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, Street, Community Development, Capital Improvement, Sewer, and Water 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 Assets 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.



**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

**The City of Marietta as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2006 compared to 2005.

(Table 1)  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and Other Assets	\$10,867,412	\$10,765,709	\$3,967,544	\$3,814,972	\$14,834,956	\$14,580,681
Capital Assets, Net	20,008,307	20,931,754	13,463,102	14,585,947	33,471,409	35,517,701
<i>Total Assets</i>	30,875,719	31,697,463	17,430,646	18,400,919	48,306,365	50,098,382
<b>Liabilities</b>						
Current and Other Liabilities	2,366,288	3,777,315	532,770	551,841	2,899,058	4,329,156
Long-term Liabilities						
Due Within One Year	32,275	50,615	445,538	438,585	477,813	489,200
Due in More Than One Year	826,775	843,653	5,841,264	6,309,233	6,668,039	7,152,886
<i>Total Liabilities</i>	3,225,338	4,671,583	6,819,572	7,299,659	10,044,910	11,971,242
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	19,718,435	20,618,128	7,563,040	8,247,339	27,281,475	28,865,467
Restricted:						
Street	1,778,887	1,650,452	0	0	1,778,887	1,650,452
Cemetery	20,387	101,166	0	0	20,387	101,166
Community Development	547,631	539,605	0	0	547,631	539,605
Parking	12,353	9,151	0	0	12,353	9,151
Fire Operations	87,750	102,831	0	0	87,750	102,831
Police Operations	125,722	115,847	0	0	125,722	115,847
Court Operations	280,902	201,556	0	0	280,902	201,556
Recreation	711,573	676,741	0	0	711,573	676,741
Health	87,346	74,609	0	0	87,346	74,609
Other Purposes	20,870	286,381	0	0	20,870	286,381
Debt Service	0	0	42,156	39,044	42,156	39,044
Capital Projects	2,340,564	1,730,096	0	0	2,340,564	1,730,096
Perpetual Care:						
Expendable	1,937	1,693	0	0	1,937	1,693
Non-expendable	414,333	406,583	0	0	414,333	406,583
Park Non-expendable Trust	1,000	1,000	0	0	1,000	1,000
Unclaimed Monies	18,454	18,169	0	0	18,454	18,169
Unrestricted	1,482,237	491,872	3,005,878	2,814,877	4,488,115	3,306,749
<i>Total Net Assets</i>	\$27,650,381	\$27,025,880	\$10,611,074	\$11,101,260	\$38,261,455	\$38,127,140

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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Total assets decreased \$1,792,017, with an \$821,744 governmental activities decrease and a \$970,273 business-type activities decrease. Total liabilities decreased \$1,926,332, \$1,446,245 for governmental activities and \$480,087 for business-type activities.

For governmental activities, equity in pooled cash decreased \$423,815 due to the City's inability to keep expenses under incoming revenues. Investments increased \$533,743 for the new 2006 investment of the Gutberlet Armory Fund donation. The City experienced various decreases in liabilities: \$132,712 in accounts payable, \$407,574 in contracts payable, \$21,073 in accrued interest payable, and \$1,000,000 in notes payable. The City's bond anticipation note was paid off during 2006. Also, the City had \$55,593 in matured compensated absences payable at the end 2005 and no liability at the end of 2006. The City continues to experience increases in due to other governments – a \$162,404 increase in 2006 and a \$406,345 increase in 2005. The 2006 increase is mainly due to pass-thru grant monies payable to other governments.

For business-type activities, total assets decreased \$970,273, with \$1,122,845 of the decrease attributed to capital assets. This decrease was offset by an increase in materials and supplies inventory of \$59,799. Total liabilities decreased \$480,087, mainly from decreases in long-term liabilities of \$461,016. In 2006, the City made scheduled debt payments on loans and bonds of \$477,536. Accounts payable increased \$43,722 while contracts payable decreased \$90,996.

Table 2 shows the changes in net assets for the year ended December 31, 2006, and comparisons to 2005.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

(Table 2)  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$2,186,418	\$1,726,575	\$4,794,100	\$4,694,312	\$6,980,518	\$6,420,887
Operating Grants, Contributions and Interest	3,433,078	4,205,035	0	0	3,433,078	4,205,035
Capital Grants and Contributions	228,672	825,335	0	0	228,672	825,335
Total Program Revenues	<u>5,848,168</u>	<u>6,756,945</u>	<u>4,794,100</u>	<u>4,694,312</u>	<u>10,642,268</u>	<u>11,451,257</u>
General Revenues						
Property Taxes	548,361	494,195	0	0	548,361	494,195
Hotel Tax	209,447	188,758	0	0	209,447	188,758
Income Tax	7,938,168	7,137,326	0	0	7,938,168	7,137,326
Payment in Lieu of Taxes	205,387	207,261	0	0	205,387	207,261
Franchise Tax	124,797	104,480	0	0	124,797	104,480
Grants and Entitlements	831,829	622,766	0	0	831,829	622,766
Investment Earnings	345,436	224,832	7,520	4,449	352,956	229,281
Donations	7,765	535,343	0	0	7,765	535,343
Gain on Sale of Capital Assets	0	0	1,522	0	1,522	0
Other	348,315	64,981	11,557	14,430	359,872	79,411
Total General Revenues	<u>10,559,505</u>	<u>9,579,942</u>	<u>20,599</u>	<u>18,879</u>	<u>10,580,104</u>	<u>9,598,821</u>
Total Revenues	<u>16,407,673</u>	<u>16,336,887</u>	<u>4,814,699</u>	<u>4,713,191</u>	<u>21,222,372</u>	<u>21,050,078</u>
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	2,880,014	3,143,125	0	0	2,880,014	3,143,125
Court	1,038,156	1,237,742	0	0	1,038,156	1,237,742
Security of Persons and Property:						
Police	2,793,530	2,959,518	0	0	2,793,530	2,959,518
Fire	2,799,657	2,784,239	0	0	2,799,657	2,784,239
Public Health Services	855,901	852,555	0	0	855,901	852,555
Community Environment	311,084	497,996	0	0	311,084	497,996
Street	2,556,517	3,137,196	0	0	2,556,517	3,137,196
Transportation	86,939	79,566	0	0	86,939	79,566
Leisure Time Activities	534,607	585,245	0	0	534,607	585,245
Intergovernmental	1,895,794	1,993,158	0	0	1,895,794	1,993,158
Interest and Fiscal Charges	30,973	48,345	0	0	30,973	48,345
Sewer	0	0	2,408,454	2,281,281	2,408,454	2,281,281
Water	0	0	2,896,431	3,221,526	2,896,431	3,221,526
Total Program Expenses	<u>15,783,172</u>	<u>17,318,685</u>	<u>5,304,885</u>	<u>5,502,807</u>	<u>21,088,057</u>	<u>22,821,492</u>
<i>Increase (Decrease)</i>						
<i>before Transfers</i>	624,501	(981,798)	(490,186)	(789,616)	134,315	(1,771,414)
Transfers	0	(35,617)	0	35,617	0	0
<i>Increase (Decrease)</i>						
<i>in Net Assets</i>	624,501	(1,017,415)	(490,186)	(753,999)	134,315	(1,771,414)
Net Assets Beginning of Year	27,025,880	28,043,295	11,101,260	11,855,259	38,127,140	39,898,554
Net Assets End of Year	<u>\$27,650,381</u>	<u>\$27,025,880</u>	<u>\$10,611,074</u>	<u>\$11,101,260</u>	<u>\$38,261,455</u>	<u>\$38,127,140</u>

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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***Governmental Activities***

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.7 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 48 and 27 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 22 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

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

Security of persons and property is another major activity of the City, generating 35% of the governmental expenses. During 2006, expenses for police and fire operations amounted to \$2,793,530 and \$2,799,657, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

Street activities of the City accounted for 16% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2006 amounted to \$2,556,517.

***Business-Type Activities***

The City's business-type activities consist of the sewer and water departments. During 2006, the City collected \$99,788 more in charges for services over the previous year but spent \$197,922 less. Nonetheless, the City continues to experience decreases in their net assets.

**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 \$16,668,252 and expenditures of \$14,861,938.

The fund balance of the General Fund increased \$945,609. The General Fund's Unreserved Fund Balance of \$2,007,893 represented 25% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund increased \$221,656. The Street Fund's Unreserved Fund Balance of \$1,546,945 represented 74% of current year expenditures.

The fund balance of the Community Development Fund increased \$17,065. The Community Development Fund's Unreserved Fund Balance of \$14,535 represented less than 1% of current year expenditures. This fund accounts for federal grant monies under the Community Development Block Grant program for projects to improve the community within the City.

**City of Marietta, Ohio**  
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*Unaudited*

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The fund balance of the Capital Improvement Fund increased \$289,273. The Fund has an unreserved fund balance of \$1,331,777.

During 2006, the Sewer Fund had operating revenues of \$2,280,440 and operating expenses of \$2,360,098. The Water Fund had operating revenues of \$2,525,217 and operating expenses of \$2,683,142. The major expenses for these funds are salaries and wages and depreciation on capital assets.

***General Fund Budgeting Highlights***

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

During the course of 2006, the City amended its General Fund budget several times. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. 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. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely, looking for possible revenue shortfalls or over spending by individual departments.

Original budgeted revenues were decreased \$720,743; the amendments were made in the intergovernmental and other revenue accounts. However, actual revenues at year end were closer to the original budgeted amounts than the final budgeted amounts. The final budgeted revenue amounts were \$978,041 less than actual revenue. Similarly, the actual expenditures for the year were closer to the original budgeted amounts than the final budgeted amounts. The final budgeted amounts were \$142,699 more than actual expenditures. The original budgeted amounts were \$72,329 higher than final budgeted amounts.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

Table 3 shows year 2006 balances compared to 2005.

(Table 3)  
 Capital Assets at December 31, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$1,033,884	\$1,033,884	\$447,100	\$447,100	\$1,480,984	\$1,480,984
Buildings and Improvements	5,437,761	5,523,835	163,020	169,493	5,600,781	5,693,328
Machinery and Equipment	998,557	1,163,855	636,764	747,663	1,635,321	1,911,518
Vehicles	765,975	946,476	144,592	197,510	910,567	1,143,986
Infrastructure	9,930,322	10,273,208	12,030,223	13,002,643	21,960,545	23,275,851
Construction in Progress	1,841,808	1,990,496	41,403	21,538	1,883,211	2,012,034
<b>Totals</b>	<b>\$20,008,307</b>	<b>\$20,931,754</b>	<b>\$13,463,102</b>	<b>\$14,585,947</b>	<b>\$33,471,409</b>	<b>\$35,517,701</b>

The City's capital assets for governmental and business-type activities as of December 31, 2006, were \$33,471,409 (net of accumulated depreciation). This includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

For governmental activities, capital asset additions during 2006 included \$869,350 for infrastructure improvements, \$146,516 for building improvements, \$80,375 on machinery and equipment, \$42,492 for police cruisers, and \$445,616 on various construction in progress activities. These mainly consisted of \$421,096 for infrastructure improvements and \$15,820 for the Justice Center.

For business-type activities, major capital asset additions during 2006 included \$95,106 for infrastructure improvements, \$21,631 for machinery and equipment, and \$29,115 for on-going sewer and water projects.

Note 10 (Capital Assets) provides capital asset activity during 2006.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
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**Debt**

Table 4 below is a summary of the City's debt obligations:

(Table 4)  
 Outstanding Debt, at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
2000 Parking Lot Bonds	\$153,000	\$160,000	\$0	\$0
1999 Third Street Paving OPWC Loan	136,872	153,626	0	0
2005 Capital Facilities				
Bond Anticipation Note	0	1,000,000	0	0
1999 Sewer Refunding Bonds	0	0	148,489	294,577
2003 Water Refunding Bonds	0	0	4,465,336	4,693,808
2002 Sewer OWDA Loan	0	0	401,432	418,511
1996 Water OPWC Loan	0	0	220,000	240,000
2004 Water OPWC Loan	0	0	450,188	470,119
2000 Sewer OPWC Loan	0	0	362,359	382,885
Totals	<u>\$289,872</u>	<u>\$1,313,626</u>	<u>\$6,047,804</u>	<u>\$6,499,900</u>

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5% of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2006, is \$26,039,409.

Additional information on the City's debt can be found in Note 16 of this report.

**Current Financial Issues**

The year 2006 started with an extra tight budget due to increased health care costs and the loss of industry within in the City. There were no pay raises for employees or any newly hired employees in 2006. The City trimmed all budgets within each department while still offering and performing all services the City has always allowed for the citizens.

In the November 2006 election, the voters of the City approved a Performance Audit. This required the City to undergo this audit, performed by the Office of the Auditor of State, despite Council's disapproval earlier in the year. The Performance Audit was performed in 2007.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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**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 Sharon Adams, Marietta City Auditor, 308 Putnam Street, Marietta, Ohio 45750, 740-373-0473.



**City of Marietta, Ohio**

*Statement of Net Assets*

December 31, 2006

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,991,132	\$2,360,792	\$8,351,924
Cash and Cash Equivalents in Segregated Accounts	61,445	156,485	217,930
Cash and Cash Equivalents with Fiscal Agents	0	42,566	42,566
Investments	849,177	100,000	949,177
Accounts Receivable	92,793	981,078	1,073,871
Payment in Lieu of Taxes Receivable	205,388	0	205,388
Accrued Interest Receivable	10,358	0	10,358
Due from Other Governments	1,792,327	0	1,792,327
Municipal Income Tax Receivable	1,044,201	0	1,044,201
Special Assessments Receivable	14,203	0	14,203
Loans Receivable	71,391	0	71,391
Materials and Supplies Inventory	36,186	109,270	145,456
Prepaid Items	110,593	69,611	180,204
Property and Other Taxes Receivable	588,218	0	588,218
Deferred Charges	0	147,742	147,742
Non-Depreciable Capital Assets	2,875,692	488,503	3,364,195
Depreciable Capital Assets, Net	<u>17,132,615</u>	<u>12,974,599</u>	<u>30,107,214</u>
<i>Total Assets</i>	<u>30,875,719</u>	<u>17,430,646</u>	<u>48,306,365</u>
<b>Liabilities</b>			
Accounts Payable	112,555	73,452	186,007
Contracts Payable	104,696	110	104,806
Accrued Wages Payable	102,189	25,908	128,097
Accrued Interest Payable	719	15,369	16,088
Due to Other Governments	929,576	89,260	1,018,836
Vacation and Other Benefits Payable	578,208	154,042	732,250
Deferred Revenue	538,345	0	538,345
Customer Deposits Payable	0	174,629	174,629
Long-Term Liabilities:			
Due Within One Year	32,275	445,538	477,813
Due In More Than One Year	<u>826,775</u>	<u>5,841,264</u>	<u>6,668,039</u>
<i>Total Liabilities</i>	<u>3,225,338</u>	<u>6,819,572</u>	<u>10,044,910</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	19,718,435	7,563,040	27,281,475
Restricted for:			
Street	1,778,887	0	1,778,887
Cemetery	20,387	0	20,387
Community Development	547,631	0	547,631
Parking	12,353	0	12,353
Fire Operations	87,750	0	87,750
Police Operations	125,722	0	125,722
Court Operations	280,902	0	280,902
Recreation	711,573	0	711,573
Health	87,346	0	87,346
Other Purposes	20,870	0	20,870
Debt Service	0	42,156	42,156
Capital Projects	2,340,564	0	2,340,564
Perpetual Care:			
Expendable	1,937	0	1,937
Non-expendable	414,333	0	414,333
Park - Non-expendable	1,000	0	1,000
Unclaimed Monies	18,454	0	18,454
Unrestricted	<u>1,482,237</u>	<u>3,005,878</u>	<u>4,488,115</u>
<i>Total Net Assets</i>	<u>\$27,650,381</u>	<u>\$10,611,074</u>	<u>\$38,261,455</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$2,880,014	\$298,154	\$44,048	\$0
Court	1,038,156	739,666	277,281	0
Security of Persons and Property:				
Police	2,793,530	8,146	11,761	0
Fire	2,799,657	359,757	2,333	0
Public Health Services	855,901	285,162	58,790	0
Community Environment	311,084	0	385,027	0
Street	2,556,517	818	1,013,344	216,672
Transportation	86,939	86,399	0	2,365
Leisure Time Activities	534,607	408,316	0	9,635
Intergovernmental	1,895,794	0	1,640,494	0
Interest and Fiscal Charges	30,973	0	0	0
<i>Total Governmental Activities</i>	<u>15,783,172</u>	<u>2,186,418</u>	<u>3,433,078</u>	<u>228,672</u>
<b>Business-Type Activities</b>				
Sewer	2,408,454	2,277,273	0	0
Water	2,896,431	2,516,827	0	0
<i>Total Business-Type Activities</i>	<u>5,304,885</u>	<u>4,794,100</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$21,088,057</u>	<u>\$6,980,518</u>	<u>\$3,433,078</u>	<u>\$228,672</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Income Taxes Levied for:

General Purposes

Street

Cemetery

Fire Operations

Capital Outlay

Hotel Tax

Payment in Lieu of Taxes

Franchise Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Gain on Disposal of Capital Assets

Donations

Other

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,537,812)	\$0	(\$2,537,812)
(21,209)	0	(21,209)
(2,773,623)	0	(2,773,623)
(2,437,567)	0	(2,437,567)
(511,949)	0	(511,949)
73,943	0	73,943
(1,325,683)	0	(1,325,683)
1,825	0	1,825
(116,656)	0	(116,656)
(255,300)	0	(255,300)
(30,973)	0	(30,973)
(9,935,004)	0	(9,935,004)
0	(131,181)	(131,181)
0	(379,604)	(379,604)
0	(510,785)	(510,785)
(9,935,004)	(510,785)	(10,445,789)
532,193	0	532,193
16,168	0	16,168
5,590,068	0	5,590,068
965,011	0	965,011
74,844	0	74,844
872,163	0	872,163
436,082	0	436,082
209,447	0	209,447
205,387	0	205,387
124,797	0	124,797
831,829	0	831,829
345,436	7,520	352,956
0	1,522	1,522
7,765	0	7,765
348,315	11,557	359,872
10,559,505	20,599	10,580,104
624,501	(490,186)	134,315
27,025,880	11,101,260	38,127,140
\$27,650,381	\$10,611,074	\$38,261,455

**City of Marietta, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2006*

	<u>General</u>	<u>Street</u>	<u>Community Development</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,292,122	\$1,646,619	\$33,767	\$1,380,188	\$1,619,982	\$5,972,678
Cash and Cash Equivalents in Segregated Accounts	39,103	0	0	0	22,342	61,445
Restricted Cash	18,454	0	0	0	0	18,454
Investments	0	0	0	0	849,177	849,177
Receivables:						
Accounts	92,743	0	0	0	50	92,793
Payment in Lieu of Taxes	0	0	0	0	205,388	205,388
Accrued Interest	3,008	560	0	0	6,790	10,358
Interfund	178,093	0	0	0	0	178,093
Municipal Income Tax	753,110	116,436	0	58,219	116,436	1,044,201
Special Assessments	0	14,203	0	0	0	14,203
Loans	0	0	0	0	71,391	71,391
Property and Other Taxes	563,069	0	0	0	24,331	587,400
Permissive Motor Vehicle License	0	818	0	0	0	818
Due from Other Governments	456,488	571,003	605,193	0	159,643	1,792,327
Materials and Supplies Inventory	13,632	22,554	0	0	0	36,186
Prepaid Items	83,069	9,897	650	466	16,511	110,593
<b>Total Assets</b>	<u>\$3,492,891</u>	<u>\$2,382,090</u>	<u>\$639,610</u>	<u>\$1,438,873</u>	<u>\$3,092,041</u>	<u>\$11,045,505</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$67,400	\$17,208	\$2,651	\$0	\$25,296	\$112,555
Contracts Payable	0	35,028	2,225	0	67,443	104,696
Accrued Wages Payable	77,993	6,720	244	0	17,232	102,189
Due to Other Governments	389,121	290,238	155,565	0	94,652	929,576
Deferred Revenue	858,388	201,746	424,513	5,361	300,043	1,790,051
Interfund Payable	0	171,203	0	0	6,890	178,093
<b>Total Liabilities</b>	<u>1,392,902</u>	<u>722,143</u>	<u>585,198</u>	<u>5,361</u>	<u>511,556</u>	<u>3,217,160</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	73,642	113,002	39,877	101,735	17,163	345,419
Reserved for Loans	0	0	0	0	65,331	65,331
Reserved for Endowments	0	0	0	0	415,333	415,333
Reserved for Unclaimed Monies	18,454	0	0	0	0	18,454
Unreserved, Undesignated, Reported in:						
General Fund	2,007,893	0	0	0	0	2,007,893
Special Revenue Funds	0	1,546,945	14,535	0	1,393,078	2,954,558
Permanent Funds	0	0	0	0	1,937	1,937
Capital Projects Funds	0	0	0	1,331,777	687,643	2,019,420
<b>Total Fund Balances</b>	<u>2,099,989</u>	<u>1,659,947</u>	<u>54,412</u>	<u>1,433,512</u>	<u>2,580,485</u>	<u>7,828,345</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$3,492,891</u>	<u>\$2,382,090</u>	<u>\$639,610</u>	<u>\$1,438,873</u>	<u>\$3,092,041</u>	<u>\$11,045,505</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006*

**Total Governmental Fund Balances** \$7,828,345

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 20,008,307

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

Investment Earnings	\$67	
Property Taxes	18,118	
Charges for Services	22,394	
Estate Taxes	27,395	
Municipal Income Tax	97,209	
Payment in Lieu of Taxes	205,388	
Special Assessments	14,203	
Intergovernmental Revenues	866,932	
Total		1,251,706

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

Bonds Payable	(153,000)	
Loans Payable	(136,872)	
Accrued Interest Payable	(719)	
Compensated Absences Payable - Sick Leave	(569,178)	
Vacation and Other Benefits Payable	(578,208)	
Total		(1,437,977)

***Net Assets of Governmental Activities*** **\$27,650,381**

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, 2006*

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$536,898	\$0	\$0	\$0	\$16,168	\$553,066
Hotel Tax	212,301	0	0	0	0	212,301
Permissive Motor Vehicle License	0	818	0	0	0	818
Municipal Income Tax	5,563,338	962,719	0	434,509	949,201	7,909,767
Payment in Lieu of Taxes	0	0	0	0	204,276	204,276
Charges for Services	676,622	0	0	0	634,732	1,311,354
Fines, Licenses and Permits	485,475	0	0	0	366,377	851,852
Franchise Tax	124,797	0	0	0	0	124,797
Intergovernmental	815,818	1,183,620	2,001,284	53,898	637,196	4,691,816
Special Assessments	0	6,744	0	0	0	6,744
Investment Earnings	321,518	61,237	0	0	47,604	430,359
Donations	7,765	0	0	0	15,022	22,787
Other	222,254	16,482	18,224	0	91,355	348,315
<b>Total Revenues</b>	<b>8,966,786</b>	<b>2,231,620</b>	<b>2,019,508</b>	<b>488,407</b>	<b>2,961,931</b>	<b>16,668,252</b>
<b>Expenditures</b>						
Current:						
General Government:						
Legislative and Executive	2,649,185	0	0	0	274,159	2,923,344
Court	680,604	0	0	0	294,257	974,861
Security of Persons and Property:						
Police	2,677,471	0	0	0	20,064	2,697,535
Fire	1,755,937	0	0	0	912,369	2,668,306
Public Health Services	409,415	0	0	0	201,087	610,502
Community Environment	0	0	372,040	0	30,924	402,964
Street	0	1,804,675	0	0	0	1,804,675
Transportation	0	0	0	0	93,006	93,006
Leisure Time Activities	0	0	0	0	416,423	416,423
Capital Outlay	0	0	0	210,515	109,254	319,769
Intergovernmental	0	265,391	1,630,403	0	0	1,895,794
Debt Service:						
Principal Retirement	0	16,754	0	0	7,000	23,754
Interest and Fiscal Charges	0	2,989	0	0	28,016	31,005
<b>Total Expenditures</b>	<b>8,172,612</b>	<b>2,089,809</b>	<b>2,002,443</b>	<b>210,515</b>	<b>2,386,559</b>	<b>14,861,938</b>
<b>Excess of Revenues Over Expenditures</b>	<b>794,174</b>	<b>141,811</b>	<b>17,065</b>	<b>277,892</b>	<b>575,372</b>	<b>1,806,314</b>
<b>Other Financing Source (Use)</b>						
Transfers In	151,435	79,845	0	11,381	0	242,661
Transfers Out	0	0	0	0	(242,661)	(242,661)
<b>Total Other Financing Source (Use)</b>	<b>151,435</b>	<b>79,845</b>	<b>0</b>	<b>11,381</b>	<b>(242,661)</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>945,609</b>	<b>221,656</b>	<b>17,065</b>	<b>289,273</b>	<b>332,711</b>	<b>1,806,314</b>
<b>Fund Balances Beginning of Year</b>	<b>1,154,380</b>	<b>1,438,291</b>	<b>37,347</b>	<b>1,144,239</b>	<b>2,247,774</b>	<b>6,022,031</b>
<b>Fund Balances End of Year</b>	<b>\$2,099,989</b>	<b>\$1,659,947</b>	<b>\$54,412</b>	<b>\$1,433,512</b>	<b>\$2,580,485</b>	<b>\$7,828,345</b>

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, 2006*

**Net Change in Fund Balances - Total Governmental Funds** \$1,806,314

*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	\$990,045	
Depreciation	(1,913,492)	
Excess of Depreciation Expense Over Capital Outlay		(923,447)

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

Investment Earnings	(713)	
Property Taxes	(4,705)	
Hotel Tax	(2,854)	
Municipal Income Tax	28,401	
Payment in Lieu of Taxes	1,111	
Special Assessments	(6,744)	
Intergovernmental Revenues	(68,408)	
Estate Taxes	27,395	
Grants	(251,075)	
State Shared Revenues	(5,381)	
Charges for Services	22,394	
Total		(260,579)

In the statement of activities, interest is accrued on outstanding  
loans, whereas in governmental funds, an interest expenditure  
is reported when due.

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Repayment of debt principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities  
in the statement of net assets:

Bonds	7,000	
Loans	16,754	
Total		23,754

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:

Vacation and Other Benefits Payable	(33,037)	
Compensated Absences Payable - Sick Leave	11,464	
Total		(21,573)

***Change in Net Assets of Governmental Activities*** \$624,501

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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Property Taxes	\$395,900	\$395,900	\$536,898	\$140,998
Hotel Tax	150,000	150,000	207,465	57,465
Municipal Income Tax	4,665,692	4,665,692	5,318,751	653,059
Payment in Lieu of Taxes	70,000	70,000	0	(70,000)
Charges for Services	443,600	443,600	697,645	254,045
Fines, Licenses and Permits	472,800	472,800	474,961	2,161
Franchise Tax	100,000	100,000	115,920	15,920
Intergovernmental	841,508	654,508	730,403	75,895
Investment Earnings	225,000	225,000	310,222	85,222
Donations	0	0	7,765	7,765
Other	824,999	291,256	46,767	(244,489)
<i>Total Revenues</i>	<u>8,189,499</u>	<u>7,468,756</u>	<u>8,446,797</u>	<u>978,041</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	2,860,773	2,882,288	2,749,819	132,469
Court	789,304	694,899	692,995	1,904
Security of Persons and Property:				
Police	2,586,472	2,705,993	2,703,772	2,221
Fire	1,744,952	1,778,480	1,775,630	2,850
Public Health Services	422,461	414,631	411,376	3,255
<i>Total Expenditures</i>	<u>8,403,962</u>	<u>8,476,291</u>	<u>8,333,592</u>	<u>142,699</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(214,463)</u>	<u>(1,007,535)</u>	<u>113,205</u>	<u>1,120,740</u>
<b>Other Financing Sources</b>				
Advances In	38,447	38,447	16,645	(21,802)
Transfers In	0	0	151,435	151,435
<i>Total Other Financing Sources</i>	<u>38,447</u>	<u>38,447</u>	<u>168,080</u>	<u>129,633</u>
<i>Net Change in Fund Balance</i>	(176,016)	(969,088)	281,285	1,250,373
<i>Fund Balance Beginning of Year</i>	731,655	731,655	731,655	0
Prior Year Encumbrances Appropriated	<u>163,133</u>	<u>163,133</u>	<u>163,133</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$718,772</u>	<u>(\$74,300)</u>	<u>\$1,176,073</u>	<u>\$1,250,373</u>

See accompanying notes to the basic financial statements



**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Municipal Income Tax	\$950,077	\$950,077	\$986,902	\$36,825
Permissive Motor Vehicle License Tax	0	0	331	331
Intergovernmental	1,062,000	1,069,049	918,520	(150,529)
Special Assessments	6,775	6,775	6,744	(31)
Investment Earnings	25,400	25,400	57,995	32,595
Other	10,000	10,000	16,842	6,842
<i>Total Revenues</i>	2,054,252	2,061,301	1,987,334	(73,967)
<b>Expenditures</b>				
Current:				
Street	2,427,708	2,508,061	1,995,351	512,710
<i>Excess of Revenues Under Expenditures</i>	(373,456)	(446,760)	(8,017)	438,743
<b>Other Financing Source</b>				
Transfers In	0	0	79,845	79,845
<i>Net Change in Fund Balance</i>	(373,456)	(446,760)	71,828	518,588
<i>Fund Balance Beginning of Year</i>	1,045,318	1,045,318	1,045,318	0
Prior Year Encumbrances Appropriated	383,580	383,580	383,580	0
<i>Fund Balance End of Year</i>	<u>\$1,055,442</u>	<u>\$982,138</u>	<u>\$1,500,726</u>	<u>\$518,588</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Community Development Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Intergovernmental	\$2,212,043	\$2,397,824	\$2,065,258	(\$332,566)
Donations	<u>57,570</u>	<u>57,570</u>	<u>18,224</u>	<u>(39,346)</u>
<i>Total Revenues</i>	<u>2,269,613</u>	<u>2,455,394</u>	<u>2,083,482</u>	<u>(371,912)</u>
<b>Expenditures</b>				
Current:				
Community Environment	699,491	683,499	410,163	273,336
Intergovernmental	<u>1,731,726</u>	<u>1,715,646</u>	<u>1,716,377</u>	<u>(731)</u>
<i>Total Expenditures</i>	<u>2,431,217</u>	<u>2,399,145</u>	<u>2,126,540</u>	<u>272,605</u>
<i>Net Change in Fund Balance</i>	(161,604)	56,249	(43,058)	(99,307)
<i>Fund Balance Beginning of Year</i>	(164,113)	(164,113)	(164,113)	0
Prior Year Encumbrances Appropriated	<u>196,336</u>	<u>196,336</u>	<u>196,336</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$129,381)</u>	<u>\$88,472</u>	<u>(\$10,835)</u>	<u>(\$99,307)</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fund Net Assets*  
*Enterprise Funds*  
*December 31, 2006*

	Sewer	Water	Total Enterprise Funds
<b>Assets</b>			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$1,750,898	\$536,315	\$2,287,213
Cash and Cash Equivalents in Segregated Accounts	65,838	89,597	155,435
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	481,094	499,984	981,078
Materials and Supplies Inventory	11,160	98,110	109,270
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agents	0	42,156	42,156
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	36,054	37,525	73,579
Cash and Cash Equivalents in Segregated Accounts	514	536	1,050
Investments	49,000	51,000	100,000
Prepaid Items	30,788	38,823	69,611
<i>Total Current Assets</i>	<u>2,425,346</u>	<u>1,394,456</u>	<u>3,819,802</u>
Noncurrent:			
Deferred Charges	4,766	142,976	147,742
Non-Depreciable Capital Assets	74,130	414,373	488,503
Depreciable Capital Assets, Net	7,189,633	5,784,966	12,974,599
<i>Total Noncurrent Assets</i>	<u>7,268,529</u>	<u>6,342,315</u>	<u>13,610,844</u>
<i>Total Assets</i>	<u>9,693,875</u>	<u>7,736,771</u>	<u>17,430,646</u>
<b>Liabilities</b>			
Current:			
Accounts Payable	35,510	37,942	73,452
Contracts Payable	0	110	110
Accrued Wages	12,977	12,931	25,908
Due to Other Governments	46,173	43,087	89,260
Vacation and Other Benefits Payable	71,415	82,627	154,042
Compensated Absences Payable	7,728	0	7,728
Accrued Interest Payable	533	14,836	15,369
Refunding Bonds Payable	148,489	250,000	398,489
Issue II Loans Payable	10,417	20,115	30,532
OWDA Loans Payable	8,789	0	8,789
<i>Total Current Liabilities</i>	<u>342,031</u>	<u>461,648</u>	<u>803,679</u>
Long-Term:			
Customer Deposits Payable from			
Restricted Assets	85,568	89,061	174,629
Compensated Absences Payable	67,278	163,992	231,270
Refunding Bonds Payable	0	4,215,336	4,215,336
Issue II Loans Payable	351,942	650,073	1,002,015
OWDA Loans Payable	392,643	0	392,643
<i>Total Long-Term Liabilities</i>	<u>897,431</u>	<u>5,118,462</u>	<u>6,015,893</u>
<i>Total Liabilities</i>	<u>1,239,462</u>	<u>5,580,110</u>	<u>6,819,572</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	6,356,250	1,206,790	7,563,040
Restricted for Debt Service	0	42,156	42,156
Unrestricted	2,098,163	907,715	3,005,878
<i>Total Net Assets</i>	<u>\$8,454,413</u>	<u>\$2,156,661</u>	<u>\$10,611,074</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Enterprise Funds  
For the Year Ended December 31, 2006*

	Sewer	Water	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for Services	\$2,277,273	\$2,516,827	\$4,794,100
Other Operating Revenues	3,167	8,390	11,557
<i>Total Operating Revenues</i>	<u>2,280,440</u>	<u>2,525,217</u>	<u>4,805,657</u>
<b>Operating Expenses</b>			
Salaries and Wages	725,528	802,552	1,528,080
Fringe Benefits	333,625	398,570	732,195
Contractual Services	598,530	577,361	1,175,891
Materials and Supplies	152,559	151,810	304,369
Other Operating Expenses	22,101	21,157	43,258
Depreciation	527,755	731,692	1,259,447
<i>Total Operating Expenses</i>	<u>2,360,098</u>	<u>2,683,142</u>	<u>5,043,240</u>
<i>Operating Loss</i>	<u>(79,658)</u>	<u>(157,925)</u>	<u>(237,583)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	0	7,520	7,520
Gain on Disposal of Capital Assets	853	669	1,522
Interest and Fiscal Charges	(48,356)	(213,289)	(261,645)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(47,503)</u>	<u>(205,100)</u>	<u>(252,603)</u>
<i>Change in Net Assets</i>	(127,161)	(363,025)	(490,186)
<i>Net Assets Beginning of Year</i>	<u>8,581,574</u>	<u>2,519,686</u>	<u>11,101,260</u>
<i>Net Assets End of Year</i>	<u><u>\$8,454,413</u></u>	<u><u>\$2,156,661</u></u>	<u><u>\$10,611,074</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2006

	Sewer	Water	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$2,276,217	\$2,507,969	\$4,784,186
Cash Payments for Employee Services and Benefits	(1,065,012)	(1,184,675)	(2,249,687)
Cash Payments to Suppliers for Goods and Services	(768,296)	(889,610)	(1,657,906)
Other Operating Revenues	3,167	9,518	12,685
Other Operating Expenses	(17,990)	(16,758)	(34,748)
Customer Deposits Received	20,418	21,252	41,670
Customer Deposits Returned	(14,705)	(15,306)	(30,011)
<i>Net Cash Provided by Operating Activities</i>	<u>433,799</u>	<u>432,390</u>	<u>866,189</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(51,415)	(95,833)	(147,248)
Proceeds from Sale of Capital Assets	853	669	1,522
Principal Paid on Debt	(192,605)	(284,931)	(477,536)
Interest Paid on Debt	(36,271)	(187,309)	(223,580)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(279,438)</u>	<u>(567,404)</u>	<u>(846,842)</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investments	(49,000)	(51,000)	(100,000)
Proceeds on Sale of Investments	49,000	51,000	100,000
Investment Earnings	0	7,520	7,520
<i>Net Cash Provided by Investing Activities</i>	<u>0</u>	<u>7,520</u>	<u>7,520</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	154,361	(127,494)	26,867
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,698,943</u>	<u>834,033</u>	<u>2,532,976</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,853,304</u>	<u>\$706,539</u>	<u>\$2,559,843</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>			
<i>Operating Loss</i>	(\$79,658)	(\$157,925)	(\$237,583)
Adjustments:			
Depreciation	527,755	731,692	1,259,447
(Increase)/Decrease in Assets:			
Accounts Receivable	(1,056)	(7,730)	(8,786)
Materials and Supplies Inventory	1,230	(61,029)	(59,799)
Prepaid Items	1,895	2,905	4,800
Increase/(Decrease) in Liabilities:			
Accounts Payable	24,826	18,896	43,722
Contracts Payable	(1,578)	(78,772)	(80,350)
Accrued Wages Payable	801	458	1,259
Interfund Payable for Cost Allocation	(37,735)	(37,735)	(75,470)
Due to Other Governments	2,291	(3,349)	(1,058)
Vacation Benefits Payable	6,494	10,774	17,268
Customer Deposits Payable	5,713	5,946	11,659
Compensated Absences Payable	(17,179)	8,259	(8,920)
<i>Net Cash Provided by Operating Activities</i>	<u>\$433,799</u>	<u>\$432,390</u>	<u>\$866,189</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2006*

<b>Assets</b>	
Equity Pooled in Cash and Cash Equivalents	\$804,199
Cash and Cash Equivalents in Segregated Accounts	139,867
Taxes Receivable	14,083
Accounts Receivable	<u>219,134</u>
<i>Total Assets</i>	<u><u>\$1,177,283</u></u>
 <b>Liabilities</b>	
Due to Other Governments	\$104,205
Due to Others	<u>1,073,078</u>
<i>Total Liabilities</i>	<u><u>\$1,177,283</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

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

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

**Report Entity**

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

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

The following have been excluded from the financial reporting entity:

- Washington County Public Library
- Marietta City School District
- Marietta Memorial Hospital
- Marietta College
- Marietta Harbor
- Marietta Tourist and Convention Bureau
- O'Neill Senior Citizens Center Corporation
- The Marietta Chamber of Commerce
- The Marietta Cooperative Child Center
- Marietta/Parkersburg Area Labor Management Citizens Committee

The City participates in the Buckeye Hills-Hocking Valley Regional Development District, the Community Action Program Corporation of Washington-Morgan Counties, Ohio, and the Wood, Washington, and Wirt Planning Commission, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 19.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. 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 assets 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 assets 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 assets 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 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.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**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 liabilities is reported as fund balance. The following are the City's major governmental funds:

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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 assets. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, 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 7). 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.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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 Revenue*** Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met also have been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period also have been reflected as deferred revenue.

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

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

**E. Budget Process**

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool, except for the Cemetery Trust Fund which is invested separately. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" in the financial statements.

During 2006, investments were limited to certificates of deposit, which are reported at cost.

Following the Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the General Fund, the Street and Gutberlet Armory Special Revenue Funds, Anthem Demutualization Agency Fund, and the Cemetery Trust Permanent Fund. Interest revenue credited to the General Fund during 2006 amounted to \$321,518, which includes \$304,537 assigned from other City funds.

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

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

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 certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

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

H. Inventory

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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 assets 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 assets and in the respective funds.

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

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

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings and Improvements	15 - 50 years	40 - 50 years
Machinery and Equipment	5 - 15 years	10 - 15 years
Vehicles	3 - 5 years	3 - 5 years
Infrastructure	10 - 25 years	10 - 50 years

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

**K. Compensated Absences**

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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 five years of service for the Parking Meter Department, after twelve years of service for the Fire Department, after fifteen years of service for the Water, Sewer, Street, Engineer, Maintenance, Cemetery, Recreation, and Income Tax Departments, after twenty years of service for the Police, Parks, Health, Community Development Clerk, Court, and Information Systems Department, and after twenty five years for Law Director's office and Clerk of Council.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, loans, endowments, and unclaimed monies.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$6,491,865 of restricted net assets, of which none are restricted by enabling legislation.

Net assets restricted for other purposes include activities related to the law director's office.

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities.

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 assets.

R. Bond Discount/Issuance Costs and Accounting Gains

On government-wide financial statements, issuance costs, accounting gains, and bond discounts are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond discounts and accounting gains are presented as reductions to the face amount of the bonds.

S. Estimates

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

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
2. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
3. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	General	Street	Community Development
GAAP Basis	\$945,609	\$221,656	\$17,065
Net Adjustment for Revenue Accruals	(471,973)	(240,652)	63,974
Beginning of Year:			
Unrecorded Cash	402	0	0
Unrecorded Interest	9,451	1,665	0
Prepaid Items	99,475	10,827	492
Segregated Accounts	32,324	0	0
End of Year:			
Unrecorded Cash	(26,987)	0	0
Unrecorded Interest	(24,103)	(5,299)	0
Prepaid Items	(83,069)	(9,897)	(650)
Segregated Accounts	(39,103)	0	0
Net Adjustment for Expenditure Accruals	(93,973)	234,122	(79,337)
Advances In	16,645	0	0
Encumbrances	(83,413)	(140,594)	(44,602)
Budget Basis	\$281,285	\$71,828	(\$43,058)

**NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2006, the City has implemented GASB Statement No. 47, “Accounting for Termination Benefits.” The implementation of this statement had no effect on the financial statements.

**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

The Marietta Harbor Capital Projects Fund had a deficit fund balance of \$6,152 as of December 31, 2006. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficit will be eliminated.



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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B. Statutory Compliance

The following fund had original appropriations in excess of original estimated revenues plus available balances for the year ended December 31, 2006:

	<u>Estimated Revenues plus Balances</u>	<u>Appropriations plus Encumbrances</u>	<u>Excess</u>
Community Development Special Revenue Fund	\$2,301,836	\$2,431,217	(\$129,381)

The following fund had final appropriations in excess of final estimated revenues plus available balances for the year ended December 31, 2006:

	<u>Estimated Revenues plus Balances</u>	<u>Appropriations plus Encumbrances</u>	<u>Excess</u>
General Fund	\$8,401,991	\$8,476,291	(\$74,300)

The following fund had actual expenditures in excess of actual revenues plus available balances which resulted in a deficit fund balance for the year ended December 31, 2006:

	<u>Revenues plus Balances</u>	<u>Expenditures plus Encumbrances</u>	<u>Excess</u>
Community Development Special Revenue Fund	\$2,115,705	\$2,126,540	(\$10,835)

The following account had expenditures in excess of final appropriations for the year ended December 31, 2006:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Excess</u>
Community Development Special Revenue Fund: Intergovernmental	\$1,715,646	\$1,716,377	(\$731)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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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, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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. Historically, the City has not purchased these types of investments or issued these types of notes. 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$9,556,486 and the bank balance was \$11,166,941. Of the bank balance \$903,249 was covered by Federal depository insurance and \$10,263,692 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets other than inventory, which was assessed at 23 percent. The tangible personal property tax is being phased out - the assessment percentage of all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2006, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$226,758,540
Public Utility Property	5,111,170
Tangible Personal Property	<u>18,885,350</u>
	<u><u>\$250,755,060</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Marietta. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding collectible delinquencies which are measurable as of December 31, 2006, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2006, consisted of taxes, accounts (billings for user charged services including unbilled utility services and third party billings), payments in lieu of taxes, special assessments, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$71,391. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates of zero to three percent. The loans are to be repaid over periods ranging from two to fifteen years. The amount not scheduled for collection during the subsequent year is \$65,331.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<u>Amount</u>
Local Government	\$317,996
Homestead and Rollback	20,911
Estate Tax	109,580
Tax Reimbursements	3,230
Health Subsidy	4,371
Immobilization Fees	400
Community Development Block Grant	301,696
Comprehensive Housing Improvement Program	155,034
Housing Urban Development	148,463
Gasoline Tax and Motor Vehicle License	305,612
Issue II	265,391
Community Corrections Grant	73,348
Victims Information Program	20,477
Drug Court Grant	42,287
Indigent Alcohol	6,935
Immunizations	2,000
Children with Medical Handicaps Reimbursements	1,050
Medicare	12,997
Health Check-ups	549
Total Governmental Activities	<u><u>\$1,792,327</u></u>

**NOTE 9 - INCOME TAX**

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds were distributed to funds in the following manner: 70% to the General Fund, 12% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, 1% to the Cemetery Special Revenue Fund, and 6% to the Capital Improvement Capital Projects Fund.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance <u>12/31/05</u>	Increases	Decreases	Balance <u>12/31/06</u>
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$1,033,884	\$0	\$0	\$1,033,884
Construction in Progress	1,990,496	445,616	594,304	1,841,808
Total Capital Assets not being Depreciated	<u>3,024,380</u>	<u>445,616</u>	<u>594,304</u>	<u>2,875,692</u>
Capital Assets being Depreciated:				
Buildings and Improvements	8,160,155	146,516	0	8,306,671
Machinery and Equipment	4,018,070	80,375	1,896	4,096,549
Vehicles	3,041,653	42,492	0	3,084,145
Infrastructure	27,313,271	869,350	0	28,182,621
Total Capital Assets being Depreciated	<u>42,533,149</u>	<u>1,138,733</u>	<u>1,896</u>	<u>43,669,986</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,636,320)	(232,590)	0	(2,868,910)
Machinery and Equipment	(2,854,215)	(245,673)	(1,896)	(3,097,992)
Vehicles	(2,095,177)	(222,993)	0	(2,318,170)
Infrastructure	(17,040,063)	(1,212,236)	0	(18,252,299)
Total Accumulated Depreciation	<u>(24,625,775)</u>	<u>(1,913,492) *</u>	<u>(1,896)</u>	<u>(26,537,371)</u>
Total Capital Assets being Depreciated, Net	<u>17,907,374</u>	<u>(774,759)</u>	<u>0</u>	<u>17,132,615</u>
Governmental Activities Capital Assets, Net	<u>\$20,931,754</u>	<u>(\$329,143)</u>	<u>\$594,304</u>	<u>\$20,008,307</u>

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

General Government - Legislative and Executive	\$168,507
General Government - Court	51,871
Security of Persons and Property:	
Police	96,439
Fire	128,380
Public Health Services	24,451
Community Environment	2,819
Street	1,248,426
Parking	34
Leisure Time Activities	192,565
Total Depreciation Expense	<u>\$1,913,492</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
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	Balance 12/31/05	Increases	Decreases	Balance 12/31/06
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$447,100	\$0	\$0	\$447,100
Construction in Progress	21,538	29,115	9,250	41,403
Total Capital Assets not being Depreciated	<u>468,638</u>	<u>29,115</u>	<u>9,250</u>	<u>488,503</u>
Capital Assets being Depreciated:				
Buildings and Improvements	306,893	0	0	306,893
Machinery and Equipment	1,887,006	21,631	0	1,908,637
Vehicles	729,358	0	31,154	698,204
Infrastructure	54,630,575	95,106	0	54,725,681
Total Capital Assets being Depreciated	<u>57,553,832</u>	<u>116,737</u>	<u>31,154</u>	<u>57,639,415</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(137,400)	(6,473)	0	(143,873)
Machinery and Equipment	(1,139,343)	(132,530)	0	(1,271,873)
Vehicles	(531,848)	(52,918)	(31,154)	(553,612)
Infrastructure	(41,627,932)	(1,067,526)	0	(42,695,458)
Total Accumulated Depreciation	<u>(43,436,523)</u>	<u>(1,259,447)</u>	<u>(31,154)</u>	<u>(44,664,816)</u>
Total Capital Assets being Depreciated, Net	<u>14,117,309</u>	<u>(1,142,710)</u>	<u>0</u>	<u>12,974,599</u>
Business-Type Activities Capital Assets, Net	<u>\$14,585,947</u>	<u>(\$1,113,595)</u>	<u>\$9,250</u>	<u>\$13,463,102</u>

**NOTE 11 - 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 Barengo Insurance Agency who, on behalf of the City, negotiates property and casualty insurance coverage with various carriers. St. Paul Fire and Marine Insurance is the carrier providing commercial general liability insurance, which has a \$2,000,000 per occurrence limit with an additional \$4,000,000 in umbrella liability coverage. CNA Insurance Companies is the carrier providing property, computer, crime, etc. coverage for the City with the following coverage limits and deductibles.

**City of Marietta, Ohio**  
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<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real and Personal Property	\$74,760,690	\$5,000	
Boiler and Machinery	74,760,690	2,500	
	Limit (Per		
<u>Liability</u>	<u>Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$2,000,000	\$2,000,000	\$1,000
Medical Professional	2,000,000	2,000,000	1,000
Employee Benefits	2,000,000	6,000,000	1,000
Employer Liability	2,000,000	2,000,000	0
Firemen's Errors and Omissions	2,000,000	2,000,000	1,000
Pubic Officials Wrongful Acts	2,000,000	2,000,000	5,000
Law Enforcement	2,000,000	2,000,000	15,000
Employment Practices	2,000,000	2,000,000	25,000
Umbrella	4,000,000	4,000,000	10,000

Vehicles are covered by St. Paul Fire and Marine Insurance and have a \$500 deductible for comprehensive and \$1,000 for collision. Automobile liability has a \$2,000,000 combined single limit for bodily injury and liability for property damage. The Assistant Safety-Service Director reviews all claims.

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

The City pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.



**City of Marietta, Ohio**  
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For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The City's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$427,985, \$483,952, and \$456,334, respectively; 91.37 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plant for 2006 were \$10,082 made by the City and \$6,623 made by the plan members.

**B. Police and Firemen's Disability and Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$166,542 and \$378,993 for the year ended December 31, 2006, \$199,376 and \$276,545 for the year ended December 31, 2005, and \$183,601 and \$262,205 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 73.02 percent and 76.83 percent has been contributed for 2006.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$186,080. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. Police and Firemen's Disability and Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$109,847 for police and \$140,200 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**NOTE 14 - 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.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**B. Employee Health Benefits**

The City provides \$20,000 in life insurance and 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 Anthem Life.

The City provides comprehensive major medical insurance under three plans through Anthem Blue Cross and Blue Shield. The first plan has \$100 single and \$200 family deductible limits and 20% employee copayments for the next \$1,000 single and \$2,000 family in eligible claims. The City pays \$855.35 of the total monthly premium of \$1,234.60 for family coverage and \$285.07 of the total monthly premium of \$411.25 for single coverage. The second plan is a Preferred Provider plan. Deductibles and copayments for "in-network" services are the same as described in the first plan. The City pays \$855.35 of the total monthly premium of \$971.99 for family coverage and \$285.07 of the total monthly premium of \$323.94 for single coverage. The third plan is a point-of-service plan. Deductible and copayments for "in-network" services are the same as described in the first plan. The City pays \$855.82 of the total monthly premium of \$931.06 for family coverage and \$285.07 of the total monthly premium of \$310.99 for single coverage. Premiums are paid from the same funds that pay the employees' salaries.

**C. Compensated Absences**

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**NOTE 15 - CONTRACTUAL COMMITMENTS**

As of December 31, 2006, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<b><u>Capital Asset Projects:</u></b>			
<b><i>State Route 7 Access Road:</i></b>			
Street Fund	\$272,363	\$247,192	\$25,171
Access Road Fund	33,437	33,437	0
State Route 7 TIF Fund	157,722	156,512	1,210
Water Fund	1,830	1,830	0
	465,352	438,971	26,381
<b><i>Justice Center:</i></b>			
General Fund	321,310	321,310	0
Court Capital Improvement Fund	891,786	890,488	1,298
	1,213,096	1,211,798	1,298
<b><i>Cisler Driver Water and Sewer Replacement:</i></b>			
Water Fund	29,128	28,253	875
Sewer Fund	4,050	4,050	0
	33,178	32,303	875
<b><i>Bellvue Street Sanitary Sewer Replacement:</i></b>			
Sewer Fund	10,600	9,100	1,500
<b><i>Rathbone Drainage Improvement:</i></b>			
Street Fund	38,120	31,666	6,454
<b><i>Lancaster Drainage Improvement:</i></b>			
Street Fund	37,000	35,047	1,953
<b><i>Total Capital Asset Projects:</i></b>	1,797,346	1,758,885	38,461
<b><u>Non-Capital Asset Projects:</u></b>			
<b><i>North Hills Water Storage Tank Repair:</i></b>			
Water Fund	9,611	5,889	3,722
<b><i>Brick Street Repairs:</i></b>			
Street Fund	48,806	14,060	34,746
<b><i>Total Non-Capital Asset Projects:</i></b>	58,417	19,949	38,468
<b>Total All Projects</b>	<b>\$1,855,763</b>	<b>\$1,778,834</b>	<b>\$76,929</b>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**NOTE 16 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City for the year ended December 31, 2006, were as follows:

	Principal Outstanding 12/31/05	Additions	Deletions	Principal Outstanding 12/31/06	Amounts Due in One Year
<b>Governmental Activities:</b>					
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	\$160,000	\$0	\$7,000	\$153,000	\$7,500
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	153,626	0	16,754	136,872	8,503
Compensated Absences - Sick Leave	580,642	37,460	48,924	569,178	16,272
Total Governmental Activities	<u>\$894,268</u>	<u>\$37,460</u>	<u>\$72,678</u>	<u>\$859,050</u>	<u>\$32,275</u>
<b>Business-Type Activities:</b>					
<u>Bonds:</u>					
Sewer Refunding Bonds					
1999 - \$1,215,000 @ 3.2 - 4%	\$315,000	\$0	\$155,000	\$160,000	\$160,000
Unamortized Accounting Gain	(20,423)	0	(8,912)	(11,511)	(11,511)
Total Sewer Refunding Bonds	<u>294,577</u>	<u>0</u>	<u>146,088</u>	<u>148,489</u>	<u>148,489</u>
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	4,950,000	0	245,000	4,705,000	250,000
Bond Discount	(8,185)	0	(528)	(7,657)	0
Accounting Gain	(248,007)	0	(16,000)	(232,007)	0
Total Water Refunding Bonds	<u>4,693,808</u>	<u>0</u>	<u>228,472</u>	<u>4,465,336</u>	<u>250,000</u>
Total Bonds	<u>4,988,385</u>	<u>0</u>	<u>374,560</u>	<u>4,613,825</u>	<u>398,489</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	418,511	0	17,079	401,432	8,789
Water OPWC Loan					
1996 - \$400,000 @ 0%	240,000	0	20,000	220,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$479,936 @ 2%	470,119	0	19,931	450,188	10,115
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	382,885	0	20,526	362,359	10,417
Total Loans	<u>1,511,515</u>	<u>0</u>	<u>77,536</u>	<u>1,433,979</u>	<u>39,321</u>
Compensated Absences - Sick Leave	247,918	0	8,920	238,998	7,728
Total Business-Type Activities	<u>\$6,747,818</u>	<u>\$0</u>	<u>\$461,016</u>	<u>\$6,286,802</u>	<u>\$445,538</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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The parking lot bonds will be paid from general property tax revenues. The paving OPWC Loan was issued to finance paving on Third Street in the City. The loan will be paid from intergovernmental revenue of the Street Special Revenue Fund. Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund were issued to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loan in the Sewer Enterprise Fund was issued to help finance the sludge belt press project. The Ohio Water Development Authority (OWDA) loan was issued to help finance the sewer grit removal project. 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 Community Development, Marietta Housing, Street, Parking, and Fire Levy Special Revenue Funds; and the Water and Sewer Enterprise Funds.

On April 15, 1999, the City issued \$1,215,000 in sewer system refunding bonds which were used to retire the 1988 sewer system general obligation bonds of \$425,000 and the 1988 sewer mortgage revenue bonds of \$1,150,000.

On March 1, 2003, the City issued \$5,650,000, of water system revenue refunding bonds which were used to refund the 1996 water revenue bonds in the amount of \$5,175,000. The revenue bonds were sold at a discount of \$9,505 that will be amortized over the life of the bonds using the straight-line method. Issuance costs associated with the bond issue in the amount of \$177,487 are deferred and amortized over the life of the bonds using the straight-line method. \$5,463,008 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1996 water revenue bonds. The refunded bonds were called on December 1, 2006, and the irrevocable trust account was closed as of December 31, 2006.

The refunding resulted in an advance refunding of the 1996 water revenue bonds. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$288,008. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is amortized to interest expense through the year 2021 using the straight-line method. The amount amortized for 2006 is \$16,000.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2006, are as follows:

Year	Parking Lot Bonds	
	Principal	Interest
2007	\$7,500	\$8,766
2008	8,000	8,338
2009	8,000	7,878
2010	9,000	7,420
2011	9,000	6,904
2012-2016	55,000	26,012
2017-2020	56,500	8,338
	\$153,000	\$73,656

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2006

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2006, are as follows:

Year	Principal	Interest
2007	\$8,503	\$1,369
2008	17,262	2,482
2009	17,609	2,134
2010	17,963	1,781
2011	18,323	1,419
2012-2014	57,212	2,019
	<u>\$136,872</u>	<u>\$11,204</u>

Principal and interest requirements to retire the business-type activities bonds outstanding at December 31, 2006, are as follows:

Year	Sewer Refunding Bonds		Water Refunding Bonds	
	Principal	Interest	Principal	Interest
2007	\$160,000	\$6,400	\$250,000	\$173,108
2008	0	0	255,000	167,732
2009	0	0	260,000	161,230
2010	0	0	270,000	153,690
2011	0	0	275,000	145,050
2012-2016	0	0	1,535,000	570,533
2017-2021	0	0	1,860,000	242,584
	<u>\$160,000</u>	<u>\$6,400</u>	<u>\$4,705,000</u>	<u>\$1,613,927</u>

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2006, are as follows:

Year	OPWC Loans					OWDA Loan	
	Sewer		Water			Sewer	
	Principal	Interest	Treatment	Water Glendale Tank		Principal	Interest
2007	\$10,417	\$3,624	\$10,000	\$10,115	\$4,502	\$8,789	\$7,808
2008	21,148	6,933	20,000	20,534	8,700	18,095	15,100
2009	21,573	6,508	20,000	20,947	8,286	18,805	14,389
2010	22,007	6,074	20,000	21,368	7,866	19,544	13,650
2011	22,449	5,632	20,000	21,797	7,436	20,312	12,882
2012-2016	119,196	21,212	100,000	115,738	30,430	114,173	51,800
2016-2020	131,667	8,741	30,000	127,847	18,321	138,429	27,544
2021-2025	13,902	139	0	111,842	5,090	63,285	3,107
	<u>\$362,359</u>	<u>\$58,863</u>	<u>\$220,000</u>	<u>\$450,188</u>	<u>\$90,631</u>	<u>\$401,432</u>	<u>\$146,280</u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$26,039,409. Pursuant to State statute, economic development revenue bonds were issued for \$2,820,000 in 1997 for Marietta College. The amount outstanding as of December 31, 2006, is \$900,000. The proceeds of the bonds are used by the College for energy management equipment. The bonds are to be repaid by the College and do not represent an obligation of the City.

**NOTE 17 – NOTES PAYABLE**

On June 19, 2006, the City retired its \$1,000,000 capital facilities bond anticipation note which had a 4.00% interest rate.

**NOTE 18 - INTERFUND TRANSFERS AND BALANCES**

Transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them. The Federal Emergency Management Agency Special Revenue Fund transferred the following amounts for reimbursements made for flood relief:

General Fund	\$151,435
Street Special	
Revenue Fund	79,845
Capital Improvement	
Capital Projects Fund	<u>11,381</u>
Total	<u><u>\$242,661</u></u>

Interfund balances at year end consisted of a reimbursement from the Street Fund for expenditures made by the General Fund for street improvements and unpaid advances made from the General Fund to the Marietta Harbor Fund.

	Receivables
Payables	General Fund
Marietta Harbor	
Capital Projects Fund	\$6,890
Street Fund	<u>171,203</u>
Total All Funds	<u><u>\$178,093</u></u>



**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

A. The Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one member from the City of Marietta and one from the City of Athens, one elected official from each of the participating Counties, and the remaining members are private citizens appointed by the respective political bodies based upon population. The board has total control over budgeting, personnel, and all other financial matters. The District receives Title III monies directly. Currently, a portion of the Title III monies are distributed to the O'Neill Senior Citizens Center Corporation, a private not-for-profit corporation. The City contributed \$1,452 to the District during 2006. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

B. The Community Action Program Corporation of Washington-Morgan Counties, Ohio

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2006, 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 2006, the City of Marietta contributed \$4,746. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 20 - CONTINGENCIES**

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2006.

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 and effect on the financial statements cannot be determined at this time.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Direct from Federal Government:</i>			
Community Development Block Grants/Entitlement Grants	B-05-MC-39-0018	14.218	\$228,487
	B-06-MC-39-0018		<u>149,358</u>
Total Community Development Block Grants/Entitlement Grants			377,845
Section 8 Housing Choice Vouchers		14.871	<u>1,568,024</u>
Total Direct from Federal Government			1,945,869
<i>Passed through the Ohio Department of Development</i>			
HOME Investment Partnerships Program	A-C-04-289-2	14.239	<u>49,094</u>
Total U.S. Department of Housing and Urban Development			1,994,963
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2006VAGENE329	16.575	20,073
	2006SAGENE329		2,677
	2007VAGENE329		<u>6,825</u>
Total Crime Victim Assistance			29,575
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Formula Grant Program	2005-JG-C01-6288	16.579	76,487
Violence Against Women Formula Grants	2005-WF-VA2-8424	16.588	<u>27,300</u>
Total U.S. Department of Justice			133,362
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through the Ohio Department of Health:</i>			
Immunization Grants	84-2-001-2-AZ-06	93.268	<u>20,830</u>
Total U.S. Department of Health and Human Services			20,830
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed through the Ohio Emergency Management Agency:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-1580-DR-167-47628	97.036	<u>91,267</u>
Total U.S. Department of Homeland Security			<u>91,267</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$2,240,422</u></u></b>

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

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The City passes-through certain Federal assistance received from the United States Department of Housing and Urban Development to other government or not-for-profit agencies (subrecipients). As described in Note A, the City records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the City is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2006, the gross amount of loans outstanding under this program was \$71,391.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated November 5, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 5, 2007.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 5, 2007



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

### Compliance

We have audited the compliance of the City of Marietta, Washington County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in finding 2006-004 in the accompanying Schedule of Findings, the City did not comply with requirements regarding sub-recipient monitoring applying to its Section 8 Housing Choice Vouchers major federal program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the City's management dated November 5, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as findings 2006-004 and 2006-005 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings, we consider finding 2006-004 to be a material weakness.

The City's responses to the findings we identified are described in the accompanying Schedule of Findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 5, 2007



**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006**

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

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation and Significant Deficiency**

Ohio Admin. Code Section 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2006, estimated resources as approved by the Budget Commission did not agree to the City's ledgers for the following funds. The variances are as follows:

Fund	Estimated Receipts Per Budget Commission	Amounts Per City's Reports	Variance
General Fund	\$ 8,040,945	\$ 8,216,016	\$ 175,071
Street Fund	1,900,077	1,540,077	(360,000)
State Highway	92,400	47,400	(45,000)
Recreation Fund	564,000	437,500	(126,500)
Parking Fund	92,150	79,350	(12,800)
Cemetery Fund	222,705	225,000	2,295
Food Service Fund	58,001	55,583	(2,418)
Home Health	63,000	46,225	(16,775)
Community Development	2,455,394	583,832	(1,871,562)
Marietta Housing	15,000	10,000	(5,000)
Security Alarm	25,000	1,148	(23,852)
D.A.R.E	8,000	17,650	9,650
Traffic Signals	6,775	7,025	250
Comm Corrections	145,481	145,000	(481)
Bond Retirement	16,040	16,500	460
Court Capital Improvement	200,000	280,000	80,000
Water Revenue	2,965,750	2,865,750	(100,000)
Water Replacement	50,000	200,000	150,000
Water Construction	428,010	80,000	(348,010)
Sewer Revenue	2,670,696	2,371,196	(299,500)

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)**

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

**FINDING NUMBER 2006-001  
(Continued)**

**Noncompliance Finding and Significant Deficiency - Ohio Admin. Code Section 117-2-02(C)(1)  
(Continued)**

The appropriations as approved by the City Council did not agree to the appropriations entered into the appropriations ledger for the following funds:

Fund	Approved Appropriations	Appropriations posted to the accounting system	Variance
General Fund	\$7,879,707	\$8,024,429	\$144,722
Street Fund	1,969,761	2,223,681	253,920
State Highway Fund	88,000	26,526	(61,474)
Permissive Tax Fund	66,720	186,720	120,000
Recreation Fund	565,200	566,283	1,083
Cemetery Fund	225,841	227,323	1,482
Fire Department Levy Fund	889,850	889,765	(85)
Emergency Rescue	16,300	16,775	475
Tree Planting	1,593	2,635	1,042
Community Development	2,202,809	2,375,774	172,965
Community Corrections Grant	159,829	159,885	56
Municipal Court Fund	280,000	332,289	52,289
Capital Improvement Fund	296,000	485,677	189,677
SR 7 TIF	1,213,121	1,214,371	1,250
Bond Retirement	16,540	16,168	372
Water Revenue Fund	3,015,556	3,275,266	259,710
Sanitary Revenue Fund	2,674,427	2,769,745	95,318
Guarantee Deposit	49,725	40,000	(9,725)
Sanitary Sewer Surplus	90,000	137,460	47,460

Failure to properly post estimated resources and appropriations could lead to lack of budgetary control.

We recommend the City accurately post to their accounting system estimated receipts as certified by the County Budget Commission and appropriations as approved by City Council.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002**

**Noncompliance Finding and Significant Deficiency**

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriations from each fund shall not exceed the total of estimated revenue.

As of December 31, 2006, the following funds had appropriations exceeding estimated resources as follows:

<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Unclaimed Money	\$17,351	\$18,563	(\$1,212)
FEMA Fund	0	242,661	(242,661)
Immunization Action	25,100	27,100	(2,000)
Police Pension	0	69,897	(69,897)
Fire Pension	0	69,897	(69,897)
Bond Retirement	16,040	16,540	(500)

The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the City does not have adequate funds, thus leading to negative fund balances. The Washington County Auditor also issued Certificates stating that the appropriations exceeded estimated resources in various funds at times when amended certificates were obtained.

We recommend the City Auditor closely monitor appropriations to ensure that appropriations do not exceed estimated resources at any time throughout the year.

**FINDING NUMBER 2006-003**

**Noncompliance Citation and Significant Deficiency**

The Responsibilities of the Client, Section #6 of the Business Support Services Agreement between the City of Marietta, Washington County and MED3000 (formerly Healthserve, LLC) stated that the client shall establish adequate controls to assure that all EMS charges are captured, batched and reconciled with batch totals.

Although MED3000 gives the City access to its monthly reports of runs posted and receipted, the City could not provide support that it is monitoring these reports for accuracy of billing and collections. During our testing, eight percent of the patients tested were not billed by MED3000.

In addition, MED3000 obtained a Tier I SAS 70 report instead of a Tier II SAS 70 report. The City did not review the Tier I SAS 70 report for assurances that the controls over the third party transactions were placed in operation.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-003  
(Continued)**

**Noncompliance Citation and Significant Deficiency - Responsibilities of the Client, Section #6 of the Business Support Services Agreement (Continued)**

Failure to monitor for accuracy of billings and collections could result in a loss of revenue for the City for services performed by the City's Fire Department employees.

We recommend the City develop controls to monitor the activity performed by its third party administrator (MED3000 – formerly Healthserve, LLC) of its emergency medical services. This would at least involve comparing the City Fire Department's log books to MED3000's monthly EMS runs by post date report. In addition, we recommend the City develop procedures to reconcile the amount of monthly bank deposits in the City's Emergency/Fire Department account to MED3000's EMS receipts by month report with any discrepancies investigated. We also recommend the City update their contract with MED3000 to require a Tier II SAS 70 report each year. Once this is implemented, the City should obtain the Tier II SAS 70 report from MED3000 each year and review it for assurances over the third party transactions to determine that the controls were placed in operation and operating effectively.

**Administration's Response:** We did not receive a response from Officials for findings 2006-001 to 2006-003.

<b>3. FINDINGS AND FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2006-004
<b>CFDA Title and Number</b>	Section 8 Housing Choice Vouchers, CFDA #14.871
<b>Federal Award Number / Year</b>	2006
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	N/A - Direct Award

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)**

**3. FINDINGS AND FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2006-004 (Continued)**

**Noncompliance Finding and Material Weakness – Subrecipient Monitoring**

OMB Circular A-133 §.400(d) states, in part, that a pass-through entity shall perform the following procedures for the federal awards it makes:

- (1) Identify Federal awards made by informing each sub-recipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of the information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (2) Advise sub-recipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that the performance goals are achieved.
- (4) Ensure that sub-recipients expending \$500,000 or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action.
- (6) Consider whether sub-recipient audits necessitate adjustments of the pass-through entity's own records.
- (7) Require each sub-recipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

The City contracted with Community Action Corporation of Washington and Morgan Counties to administer the Section 8 Housing Choice Vouchers grant during fiscal year 2006. The City's Community Development Department performed one site visit in April of 2006 which consisted of noting that financial and programmatic records were on file. This site visit failed to document their review of the financial and performance reports submitted by the sub-recipient. In addition, no other site visits were performed in 2006.

We recommend the City develop policies and procedures to ensure the grant requirements of the Section 8 Housing Choice Voucher Program are followed by the City and any sub-recipient that the City contracts with to administer the program. Some of the procedures that should be adopted by the City are:

- (1) Review financial and performance reports submitted by sub-recipient;
- (2) Perform periodic site visits at the sub-recipient to perform detailed reviews of financial and programmatic records; and,
- (3) Review audits performed on sub-recipient and address any audit findings.

**Administration's Response:** The City of Marietta has adopted the recommendations of the State and developed policies and procedures within the Community Development Department to ensure that the grant requirements of the Section 8 Housing Choice Voucher Program are followed by the sub-recipient that the City contracts with to administer the program.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)**

<b>3. FINDINGS AND FOR FEDERAL AWARDS (Continued)</b>
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**FINDING NUMBER 2006-004 (Continued)**

**Noncompliance Finding and Material Weakness – Subrecipient Monitoring - OMB Circular A-133 §.400(d) (Continued)**

**Administration’s Response (Continued):**

The new procedures are:

- 1) Review financial and performance reports submitted by sub-recipient.
- 2) Perform site visits at the sub-recipient’s location for a financial and programmatic records review.
- 3) Review audits performed on sub-recipient and address any findings.

<b>Finding Number</b>	2006-005
<b>CFDA Title and Number</b>	Community Development Block Grants/Entitlement Grants, CFDA #14.218
<b>Federal Award Number / Year</b>	B-05-MC-39-0018 B-06-MC-39-0018
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	N/A - Direct Award

**Significant Deficiency - Reporting**

The Community Development Office of the City of Marietta maintained financial reporting for U.S. Department of Housing and Urban Development grants on the IDIS system. This system was used for drawdown requests from the Department of HUD and reporting purposes. Also, the Community Development office submitted financial information to the City Auditor’s office to be recorded within the Community Development Fund on the City’s accounting system.

Although the Community Development Clerk was reconciling her manual CDBG cash book to the City’s ledgers, there was no control procedure in the Community Development office to reconcile the financial amounts posted to the IDIS system to the amounts posted on the City’s ledgers. As a result, financial posting errors could occur and go undetected. In addition, reports submitted to the Department of HUD could have errors embedded in the amounts.

We recommend the Community Development Office of the City develop control procedures to reconcile the amounts reported on the IDIS system to the amounts reported on the City’s ledgers on a periodic basis.

**Administration’s Response:** The Community Development Department of the City of Marietta has developed policies and procedures upon the recommendations of the State. These new control procedures are to reconcile the amounts reported on the IDIS system to the amounts reported on the City’s ledgers provided by the Auditor’s Office.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)**

**3. FINDINGS AND FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2006-005 (Continued)**

**Significant Deficiency – Reporting (Continued)**

**Administration's Response (Continued):**

Our adopted procedures that are in place:

- 1) Balance detailed report weekly with the City Auditor's Office with CDBG Ledger.
- 2) The IDIS software is not a balancing program, it is a reporting program, and we are always looking for ways to improve the accuracy between the Auditor's Office, the CDBG Ledger, and the IDIS system.



**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .315 (b)  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.10 – Finding for negative unencumbered balance in the Community Development Fund.	No	Not Corrected; reissued in the Management Letter.
2005-002	Ohio Rev. Code Section 5705.36 – Actual receipts were significantly less than estimated indicating that reduced amended certificates should have been obtained.	No	Not Corrected; reissued in the Management Letter.
2005-003	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations during the year.	Yes	
2005-004	Internal controls over the aquatic center receipts were not followed.	Yes	
2005-005	Budgeted receipts per the final amended certificate did not agree to the City's budgeted receipts per the accounting system.	No	Not Corrected; repeated in the Schedule of Findings as Finding 2006-001.
2005-006	Lack of documentation maintained to support revenue projections used in the preparation of the tax budget.	Yes	
2005-007	Codified Ordinance 181.13 was not followed in the distribution of taxes.	Yes	
2005-008	Posting of on-behalf-of payments to the City's accounting system.	Yes	
2005-009	Duplicate submission of FEMA expenditures for reimbursement.	Yes	

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .315 (b)  
DECEMBER 31, 2006  
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-010	Lack of documentation to support hours spent in each program area of Community Development.	No	Not Corrected; reissued in the Management Letter.
2005-011	Expenditures charged as planning and administrative charges exceeded 20% rule.	No	Not Corrected; reissued in the Management Letter.
2005-012	Subrecipient monitoring of the Section 8 Housing, Shelter Plus Care and the Home Investment Partnership Program was not performed.	No	Not Corrected; repeated in the Schedule of Findings as Finding 2006-004.
2005-013	Community Development's IDIS system did not agree to the City's ledgers.	No	Not Corrected; repeated in the Schedule of Findings as Finding 2006-005.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
DECEMBER 31, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-001	The City plans to initiate procedures to alleviate noncompliance.	Ongoing	Sharon Adams, City Auditor
2006-002	The City plans to initiate procedures to alleviate noncompliance.	Ongoing	Sharon Adams, City Auditor
2006-003	The City plans to initiate procedures to alleviate the significant deficiency.	Ongoing	Thomas Dempsey, Fire Chief
2006-004	The City plans to initiate procedures to alleviate noncompliance. See Administration's Response in Finding 2006-004 of the Schedule of Findings.	Ongoing	Michael Stocky, Community Development Director
2006-005	The City plans to initiate procedures to alleviate the significant deficiency. See Administration's Response in Finding 2006-005 of the Schedule of Findings.	Ongoing	Michael Stocky, Community Development Director





**Mary Taylor, CPA**  
Auditor of State

**CITY OF MARIETTA**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 18, 2007**