



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF MARIETTA
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Marietta, Washington County, Ohio, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Marietta, Washington County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2000, 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 grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 20, 2000

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**CITY OF MARIETTA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debit:</u>				
<u>Assets:</u>				
Equity with City Treasurer:				
Equity in Pooled Cash and Cash Equivalents	\$3,259,764	\$1,892,057	\$18,719	\$2,138,478
Investments	0	0	0	0
Cash and Cash Equivalents in Segregated Accounts	624	0	0	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	0
Receivables:				
Taxes	725,507	348,727	0	38,058
Accounts	994	871	0	0
Special Assessments	0	44,851	0	0
Accrued Interest	16,241	4,617	0	0
Loans	245	200,569	0	1,691
Intergovernmental	167,684	79,401	0	0
Due from Other Funds	51,415	4,062	0	9,536
Materials and Supplies Inventory	14,664	10,550	0	0
Prepaid Items	55,958	13,073	0	0
Deferred Charges	0	0	0	0
Restricted Assets:				
Equity with City Treasurer:				
Cash and Cash Equivalents	0	0	0	0
Investments	0	0	0	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Construction in Progress	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debit:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debit	<u>\$4,293,096</u>	<u>\$2,598,778</u>	<u>\$18,719</u>	<u>\$2,187,763</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$2,563,999	\$49,014	\$0	\$0	\$9,922,031
0	1,619,678	0	0	1,619,678
118,832	122,328	0	0	241,784
10,716	0	0	0	10,716
0	11,917	0	0	1,124,209
767,909	0	0	0	769,774
0	0	0	0	44,851
0	23,474	0	0	44,332
0	0	0	0	202,505
59,472	0	0	0	306,557
0	0	0	0	65,013
57,044	0	0	0	82,258
36,256	0	0	0	105,287
53,698	0	0	0	53,698
29,992	0	0	0	29,992
100,000	0	0	0	100,000
647,004	0	0	0	647,004
660	0	0	0	660
7,560,413	0	0	0	7,560,413
9,309,181	0	9,892,122	0	19,201,303
0	0	0	1,259,754	1,259,754
<u>\$21,315,176</u>	<u>\$1,826,411</u>	<u>\$9,892,122</u>	<u>\$1,259,754</u>	<u>\$43,391,819</u>

(continued)

**CITY OF MARIETTA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
DECEMBER 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$130,955	\$34,589	\$0	\$0
Contracts Payable	34,274	51,237	0	0
Accrued Wages and Benefits Payable	104,975	33,253	0	0
Compensated Absences Payable	33,879	1,377	0	0
Retainage Payable	0	0	0	0
Due to Other Funds	0	14,340	0	0
Intergovernmental Payable	293,425	95,233	0	0
Deferred Revenue	327,648	154,067	0	0
Due to Others	0	0	0	0
Matured Bonds Payable	0	0	0	0
Matured Interest Payable	0	0	0	0
Accrued Interest Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
Payable from Restricted Assets:				
Customer Deposits	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Revenue Bonds Payable (Net of Unamortized Discount)	0	0	0	0
Total Liabilities	925,156	384,096	0	0
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	224,447	236,788	0	156,412
Reserved for Endowment	0	0	0	0
Reserved for Unclaimed Monies	8,312	0	0	0
Reserved for Inventory	14,664	10,550	0	0
Reserved for Loans	0	200,569	0	0
Unreserved, Undesignated	3,120,517	1,766,775	18,719	2,031,351
Total Fund Equity and Other Credits	3,367,940	2,214,682	18,719	2,187,763
Total Liabilities, Fund Equity, and Other Credits	\$4,293,096	\$2,598,778	\$18,719	\$2,187,763

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$37,024	\$0	\$0	\$0	\$202,568
63,157	0	0	0	148,668
36,308	0	0	0	174,536
301,877	0	0	587,313	924,446
65,512	0	0	0	65,512
0	50,673	0	0	65,013
77,405	67,893	0	0	533,956
0	0	0	0	481,715
0	23,633	0	0	23,633
10,000	0	0	0	10,000
716	0	0	0	716
31,108	0	0	0	31,108
360,000	0	0	247,441	607,441
130,652	0	0	0	130,652
1,161,105	0	0	425,000	1,586,105
<u>5,600,271</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,600,271</u>
<u>7,875,135</u>	<u>142,199</u>	<u>0</u>	<u>1,259,754</u>	<u>10,586,340</u>
0	0	9,892,122	0	9,892,122
11,805,199	0	0	0	11,805,199
1,634,842	0	0	0	1,634,842
0	0	0	0	617,647
0	316,434	0	0	316,434
0	0	0	0	8,312
0	0	0	0	25,214
0	0	0	0	200,569
0	1,367,778	0	0	8,305,140
<u>13,440,041</u>	<u>1,684,212</u>	<u>9,892,122</u>	<u>0</u>	<u>32,805,479</u>
<u>\$21,315,176</u>	<u>\$1,826,411</u>	<u>\$9,892,122</u>	<u>\$1,259,754</u>	<u>\$43,391,819</u>

**CITY OF MARIETTA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental	
	General	Special Revenue
<u>Revenues:</u>		
Property and Other Taxes	\$445,817	\$104,814
Municipal Income Taxes	4,048,925	1,758,156
Intergovernmental	1,452,669	2,256,299
Charges for Services	162,398	242,362
Fines, Licenses, and Permits	584,771	118,747
Special Assessments	0	5,318
Interest	483,655	43,607
Donations	0	12,106
Other	86,109	24,481
	<u>7,264,344</u>	<u>4,565,890</u>
<u>Expenditures:</u>		
Current:		
Security of Persons and Property	3,247,736	739,576
Public Health Services	272,838	220,843
Leisure Time Activities	0	129,902
Community Environment	0	507,483
Transportation	0	1,075,311
General Government	3,184,953	323,478
Intergovernmental	0	864,440
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	82,324
Refunding Bond Issuance Costs	0	8,276
Interest and Fiscal Charges	0	15,235
	<u>6,705,527</u>	<u>3,966,868</u>
Total Expenditures		
Excess of Revenues Over Expenditures	<u>558,817</u>	<u>599,022</u>
<u>Other Financing Sources (Uses):</u>		
Sale of Fixed Assets	19,450	2,432
Proceeds from Sale of Refunding Bonds	0	500,000
Payment of Pension Liability	0	(483,381)
Operating Transfers In	0	46,194
Operating Transfers Out	(18,597)	(109,250)
	<u>853</u>	<u>(44,005)</u>
Total Other Financing Sources (Uses)		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>559,670</u>	<u>555,017</u>
Fund Balances at Beginning of Year (Restated Note 3)	2,808,607	1,657,786
Increase (Decrease) in Reserve for Inventory	<u>(337)</u>	<u>1,879</u>
Fund Balances at End of Year	<u>\$3,367,940</u>	<u>\$2,214,682</u>

See accompanying notes to the general purpose financial statements

Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$0	\$0	\$0	\$550,631
0	539,986	0	6,347,067
0	0	0	3,708,968
0	14,715	0	419,475
0	127,406	0	830,924
0	0	0	5,318
0	0	67,303	594,565
0	0	0	12,106
0	25,000	0	135,590
0	707,107	67,303	12,604,644
0	0	0	3,987,312
0	0	0	493,681
0	0	0	129,902
0	0	0	507,483
0	0	0	1,075,311
0	0	0	3,508,431
0	0	0	864,440
0	274,042	0	274,042
0	0	0	82,324
0	0	0	8,276
0	0	0	15,235
0	274,042	0	10,946,437
0	433,065	67,303	1,658,207
0	0	0	21,882
0	0	0	500,000
0	0	0	(483,381)
0	0	0	46,194
0	0	0	(127,847)
0	0	0	(43,152)
0	433,065	67,303	1,615,055
18,719	1,754,698	1,258,783	7,498,593
0	0	0	1,542
<u>\$18,719</u>	<u>\$2,187,763</u>	<u>\$1,326,086</u>	<u>\$9,115,190</u>

CITY OF MARIETTA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$727,338	\$444,749	(\$282,589)
Municipal Income Taxes	4,000,955	4,032,441	31,486
Intergovernmental	993,368	1,452,942	459,574
Charges for Services	154,662	162,155	7,493
Fines, Licenses, and Permits	644,745	589,539	(55,206)
Special Assessments	0	0	0
Interest	300,000	469,458	169,458
Donations	0	0	0
Other	16,492	86,443	69,951
Total Revenues	6,837,560	7,237,727	400,167
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	3,380,551	3,249,568	130,983
Public Health Services	284,640	271,346	13,294
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	3,788,129	3,059,726	728,403
Intergovernmental	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Refunding Bond Issuance Costs	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	7,453,320	6,580,640	872,680
Excess of Revenues Over (Under) Expenditures	(615,760)	657,087	1,272,847
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	3,962	19,450	15,488
Proceeds from Sale of Refunding Bonds	0	0	0
Payment of Pension Liability	0	0	0
Operating Transfers In	2,000	0	(2,000)
Operating Transfers Out	(18,600)	(18,597)	3
Total Other Financing Sources (Uses)	(12,638)	853	13,491
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(628,398)	657,940	1,286,338
Fund Balances at Beginning of Year	2,217,790	2,217,790	0
Unexpended Prior Year Encumbrances	69,384	69,384	0
Fund Balances at End of Year	\$1,658,776	\$2,945,114	\$1,286,338

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$108,776	\$104,814	(\$3,962)	\$0	\$0	\$0
1,685,580	1,757,126	71,546	0	0	0
2,393,506	2,476,273	82,767	0	0	0
204,769	242,866	38,097	0	0	0
131,200	119,829	(11,371)	0	0	0
10,000	5,318	(4,682)	0	0	0
19,201	40,628	21,427	0	0	0
4,748	12,106	7,358	0	0	0
2,705	24,810	22,105	0	0	0
<u>4,560,485</u>	<u>4,783,770</u>	<u>223,285</u>	<u>0</u>	<u>0</u>	<u>0</u>
843,329	745,720	97,609	0	0	0
251,623	228,993	22,630	0	0	0
151,508	133,341	18,167	0	0	0
579,040	341,948	237,092	0	0	0
1,876,510	1,268,862	607,648	0	0	0
469,198	360,135	109,063	0	0	0
1,016,000	864,440	151,560	0	0	0
0	0	0	0	0	0
181,575	181,574	1	0	0	0
10,371	8,276	2,095	0	0	0
16,815	15,235	1,580	0	0	0
<u>5,395,969</u>	<u>4,148,524</u>	<u>1,247,445</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(835,484)</u>	<u>635,246</u>	<u>1,470,730</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	2,432	2,432	0	0	0
483,381	500,000	16,619	0	0	0
(483,381)	(483,381)	0	0	0	0
422,138	46,194	(375,944)	0	0	0
(78,578)	(10,000)	68,578	0	0	0
<u>343,560</u>	<u>55,245</u>	<u>(288,315)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(491,924)	690,491	1,182,415	0	0	0
830,485	830,485	0	18,719	18,719	0
57,862	57,862	0	0	0	0
<u>\$396,423</u>	<u>\$1,578,838</u>	<u>\$1,182,415</u>	<u>\$18,719</u>	<u>\$18,719</u>	<u>\$0</u>

(continued)

CITY OF MARIETTA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$0	\$0	\$0
Municipal Income Taxes	339,500	535,043	195,543
Intergovernmental	0	0	0
Charges for Services	2,000	14,715	12,715
Fines, Licenses, and Permits	120,000	125,941	5,941
Special Assessments	0	0	0
Interest	0	0	0
Donations	0	0	0
Other	25,000	25,000	0
	<u>486,500</u>	<u>700,699</u>	<u>214,199</u>
<u>Total Revenues</u>			
<u>Expenditures:</u>			
<u>Current:</u>			
Security of Persons and Property	0	0	0
Public Health Services	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	0	0	0
Intergovernmental	0	0	0
Capital Outlay	665,980	377,729	288,251
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Refunding Bond Issuance Costs	0	0	0
Interest and Fiscal Charges	0	0	0
	<u>665,980</u>	<u>377,729</u>	<u>288,251</u>
<u>Total Expenditures</u>			
	<u>665,980</u>	<u>377,729</u>	<u>288,251</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(179,480)</u>	<u>322,970</u>	<u>502,450</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	0	0	0
Proceeds from Sale of Refunding Bonds	0	0	0
Payment of Pension Liability	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Other Financing Sources (Uses)</u>			
	<u>0</u>	<u>0</u>	<u>0</u>
<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u>	<u>(179,480)</u>	<u>322,970</u>	<u>502,450</u>
Fund Balances at Beginning of Year	1,659,040	1,659,040	0
Unexpended Prior Year Encumbrances	56	56	0
	<u>56</u>	<u>56</u>	<u>0</u>
<u>Fund Balances at End of Year</u>	<u>\$1,479,616</u>	<u>\$1,982,066</u>	<u>\$502,450</u>

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$836,114	\$549,563	(\$286,551)
0	0	0	6,026,035	6,324,610	298,575
0	0	0	3,386,874	3,929,215	542,341
0	0	0	361,431	419,736	58,305
0	0	0	895,945	835,309	(60,636)
0	0	0	10,000	5,318	(4,682)
0	51,284	51,284	319,201	561,370	242,169
0	0	0	4,748	12,106	7,358
0	0	0	44,197	136,253	92,056
0	51,284	51,284	11,884,545	12,773,480	888,935
0	0	0	4,223,880	3,995,288	228,592
0	0	0	536,263	500,339	35,924
0	0	0	151,508	133,341	18,167
0	0	0	579,040	341,948	237,092
0	0	0	1,876,510	1,268,862	607,648
0	0	0	4,257,327	3,419,861	837,466
0	0	0	1,016,000	864,440	151,560
0	0	0	665,980	377,729	288,251
0	0	0	181,575	181,574	1
0	0	0	10,371	8,276	2,095
0	0	0	16,815	15,235	1,580
0	0	0	13,515,269	11,106,893	2,408,376
0	51,284	51,284	(1,630,724)	1,666,587	3,297,311
0	0	0	3,962	21,882	17,920
0	0	0	483,381	500,000	16,619
0	0	0	(483,381)	(483,381)	0
0	0	0	424,138	46,194	(377,944)
0	0	0	(97,178)	(28,597)	68,581
0	0	0	330,922	56,098	(274,824)
0	51,284	51,284	(1,299,802)	1,722,685	3,022,487
1,252,960	1,252,960	0	5,978,994	5,978,994	0
0	0	0	127,302	127,302	0
<u>\$1,252,960</u>	<u>\$1,304,244</u>	<u>\$51,284</u>	<u>\$4,806,494</u>	<u>\$7,828,981</u>	<u>\$3,022,487</u>

**CITY OF MARIETTA
 COMBINED STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN RETAINED EARNING/FUND BALANCES
 PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
<u>Revenues:</u>			
Charges for Services	\$3,907,510	\$14,600	\$3,922,110
Interest	0	19,229	19,229
Other Operating Revenues	25,355	0	25,355
Total Revenues	3,932,865	33,829	3,966,694
<u>Expenses:</u>			
Salaries and Wages	1,101,337	0	1,101,337
Fringe Benefits	382,443	0	382,443
Travel Transportation	1,235	0	1,235
Contractual Services	649,456	0	649,456
Materials and Supplies	420,411	0	420,411
Other	16,166	0	16,166
Depreciation	1,079,857	0	1,079,857
Total Expenses	3,650,905	0	3,650,905
Operating Income	281,960	33,829	315,789
<u>Non-Operating Revenues (Expenses):</u>			
Loss on Disposal of Fixed Assets	(987)	0	(987)
Interest Income	43,156	0	43,156
Other Non-Operating Revenues	10,000	0	10,000
Other Non-Operating Expenses	(3,679)	0	(3,679)
Interest and Fiscal Charges	(377,492)	0	(377,492)
Total Non-Operating Revenues (Expenses)	(329,002)	0	(329,002)
Income (Loss) Before Operating Transfers	(47,042)	33,829	(13,213)
Operating Transfers In	99,250	0	99,250
Operating Transfers Out	0	(17,597)	(17,597)
Net Income	52,208	16,232	68,440
Retained Earnings/Fund Balances at Beginning of Year	1,582,634	341,894	1,924,528
Retained Earnings/Fund Balances at End of Year	<u>\$1,634,842</u>	<u>\$358,126</u>	<u>\$1,992,968</u>

See accompanying notes to the general purpose financial statements

CITY OF MARIETTA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$3,806,100	\$3,901,178	\$95,078
Intergovernmental	1,150,000	701,699	(448,301)
Interest	0	34,629	34,629
Other Operating Revenues	0	25,355	25,355
Proceeds of Refunding Bonds	1,690,000	1,203,672	(486,328)
Other Non-Operating Revenues	30,000	45,060	15,060
	<u>6,676,100</u>	<u>5,911,593</u>	<u>(764,507)</u>
<u>Expenses:</u>			
Current:			
Salaries and Wages	1,201,510	1,151,077	50,433
Fringe Benefits	406,520	378,589	27,931
Travel Transportation	4,200	1,210	2,990
Contractual Services	1,130,520	989,902	140,618
Materials and Supplies	470,550	419,278	51,272
Other	21,000	17,191	3,809
Other Non-Operating Expenses	30,000	29,682	318
Capital Outlay	1,104,846	278,642	826,204
Payment to Bond Holders	1,545,400	1,176,539	368,861
Debt Service:			
Principal Retirement	633,074	630,750	2,324
Refunding Bond Issuance Costs	37,318	20,075	17,243
Interest and Fiscal Charges	386,423	384,534	1,889
	<u>6,971,361</u>	<u>5,477,469</u>	<u>1,493,892</u>
Excess of Revenues Over (Under) Expenses	(295,261)	434,124	729,385
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Operating Transfers Out	(295,261)	434,124	729,385
Fund Equity at Beginning of Year	2,299,099	2,299,099	0
Unexpended Prior Year Encumbrances	<u>185,076</u>	<u>185,076</u>	<u>0</u>
Fund Equity at End of Year	<u>\$2,188,914</u>	<u>\$2,918,299</u>	<u>\$729,385</u>

See accompanying notes to the general purpose financial statements

(continued)

CITY OF MARIETTA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 1999

	Non-Expendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$0	\$14,600	\$14,600
Intergovernmental	0	0	0
Interest	101,372	17,597	(83,775)
Other Operating Revenues	0	0	0
Proceeds of Notes	0	0	0
Other Non-Operating Revenues	0	0	0
Total Revenues	101,372	32,197	(69,175)
<u>Expenses:</u>			
Current:			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Travel Transportation	0	0	0
Contractual Services	0	0	0
Materials and Supplies	1,000	0	1,000
Other	0	0	0
Other Non-Operating Expenses	0	0	0
Capital Outlay	0	0	0
Payment to Bond Holders	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Refunding Bond Issuance Costs	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenses	1,000	0	1,000
Excess of Revenues Over (Under) Expenses	100,372	32,197	(68,175)
Operating Transfers Out	0	(17,597)	(17,597)
Excess of Revenues Over (Under) Expenses and Operating Transfers Out	100,372	14,600	(85,772)
Fund Equity at Beginning of Year	341,894	341,894	0
Unexpended Prior Year Encumbrances	0	0	0
Fund Equity at End of Year	\$442,266	\$356,494	(\$85,772)

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,806,100	\$3,915,778	\$109,678
1,150,000	701,699	(448,301)
101,372	52,226	(49,146)
0	25,355	25,355
1,690,000	1,203,672	(486,328)
30,000	45,060	15,060
<u>6,777,472</u>	<u>5,943,790</u>	<u>(833,682)</u>
1,201,510	1,151,077	50,433
406,520	378,589	27,931
4,200	1,210	2,990
1,130,520	989,902	140,618
471,550	419,278	52,272
21,000	17,191	3,809
30,000	29,682	318
1,104,846	278,642	826,204
1,545,400	1,176,539	368,861
633,074	630,750	2,324
37,318	20,075	17,243
386,423	384,534	1,889
<u>6,972,361</u>	<u>5,477,469</u>	<u>1,494,892</u>
(194,889)	466,321	661,210
<u>0</u>	<u>(17,597)</u>	<u>(17,597)</u>
(194,889)	448,724	643,613
2,640,993	2,640,993	0
185,076	185,076	0
<u>\$2,631,180</u>	<u>\$3,274,793</u>	<u>\$643,613</u>

**CITY OF MARIETTA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Increase (Decrease) in <u>Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,894,048	\$14,600	\$3,908,648
Cash Payments for Employee Services and Benefits	(1,530,831)	0	(1,530,831)
Cash Payments for Goods and Services	(1,042,633)	0	(1,042,633)
Other Operating Revenues	25,355	0	25,355
Other Operating Expenses	(16,215)	0	(16,215)
Customer Deposits Received	44,900	0	44,900
Customer Deposits Returned	(29,682)	0	(29,682)
Net Cash Provided by Operating Activities	<u>1,344,942</u>	<u>14,600</u>	<u>1,359,542</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Transfers In	99,250	0	99,250
Operating Transfers Out	0	(17,597)	(17,597)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>99,250</u>	<u>(17,597)</u>	<u>81,653</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(1,440,981)	0	(1,440,981)
Proceeds of Refunding Bonds	1,203,672	0	1,203,672
Payment to Bond Holders	(1,655,208)	0	(1,655,208)
Principal Paid on Debt	(730,000)	0	(730,000)
Interest Paid on Debt	(381,848)	0	(381,848)
Capital Contributions	701,699	0	701,699
Bond Issuance Costs	(20,075)	0	(20,075)
Net Cash Used for Capital and Related Financing Activities	<u>(2,322,741)</u>	<u>0</u>	<u>(2,322,741)</u>
<u>Cash Flows from Investing Activities:</u>			
Proceeds on Sale of Investments	472,160	0	472,160
Interest on Investments	41,353	17,597	58,950
Net Cash Provided by Investing Activities	<u>513,513</u>	<u>17,597</u>	<u>531,110</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(365,036)	14,600	(350,436)
Cash and Cash Equivalents at Beginning of Year	<u>3,736,239</u>	<u>26,460</u>	<u>3,762,699</u>
Cash and Cash Equivalents at End of Year	<u>\$3,371,203</u>	<u>\$41,060</u>	<u>\$3,412,263</u>
See accompanying notes to the general purpose financial statements			(continued)

CITY OF MARIETTA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Reconciliation of Operating Income to			
<u>Net Cash Provided by Operating Activities:</u>			
Operating Income	\$281,960	\$33,829	\$315,789
Interest Income	0	(19,229)	(19,229)
Depreciation Expense	1,079,857	0	1,079,857
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(12,991)	0	(12,991)
Increase in Materials and Supplies Inventory	(1,263)	0	(1,263)
Increase in Prepays	(1,989)	0	(1,989)
Increase in Accounts Payable	9,942	0	9,942
Increase in Contracts Payable	19,875	0	19,875
Increase in Accrued Salaries and Benefits	4,885	0	4,885
Decrease in Compensated Absences Payable	(54,625)	0	(54,625)
Increase in Customer Deposits	15,218	0	15,218
Increase in Intergovernmental Payables	4,073	0	4,073
Net Cash Provided by Operating Activities	<u>\$1,344,942</u>	<u>\$14,600</u>	<u>\$1,359,542</u>

Noncash Capital and Related Financing Activities and Investing Activities:

During 1999, the Water Enterprise Fund recorded a receivable for a reimbursable grant of \$49,472 from the Economic Development Agency which was used for construction of the East Norwood Water Tank. This has been reflected as contributed capital. Also, the Community Development Special Revenue Fund acquired fixed assets for the Water Enterprise Fund in the amount of \$185,894. Also during 1999, the City issued \$1,215,000 in general obligation bonds as part of a current refunding of debt in the Sewer Enterprise Fund. Before receiving net bond proceeds of \$1,203,672, bond issuance costs of \$13,131 were paid to bond counsel, paid in part with accrued interest on the refunding bonds of \$1,803.

Cash and Cash Equivalents on the Combined Balance Sheet are \$171,342 for all trust and agency funds. \$130,282 of that total is agency fund cash and cash equivalents; and \$41,060 is non-expendable trust fund cash and cash equivalents. The Expendable Trust Fund had \$0 in cash and cash equivalents at year end.

See accompanying notes to the general purpose financial statements

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - 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.

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure 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 is associated with 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 21.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies Financial Accounting Standards Board statements and interpretations issued prior to November 30, 1989, to proprietary activities provided they do not conflict with Governmental Accounting Standards Board statements and interpretations.

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary and trust funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's fiduciary funds include agency funds, an expendable trust fund, and non-expendable trust funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are typically used:

General Fixed Assets Account Group - to account for all general fixed assets of the City other than those accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group - to account for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

All governmental fund types, the expendable trust fund, and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, and income tax (the employer withheld amounts measurable at December 31, 1999).

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments and current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and non-expendable trust funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council. Advances between funds are not required to be budgeted.

Tax Budget:

During the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if revenue fluctuations are anticipated. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations:

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reapportioned.

D. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. The investments for the Cemetery Non-expendable Trust Fund are not included in the pool and are invested separately. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

Pooled Cash and Cash Equivalents" on the Combined Balance Sheet.

During 1999, investments were limited to certificates of deposit and repurchase agreements, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 1999 amounted to \$483,655, which includes \$378,086 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 Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the Combined Balance Sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents" and represent deposits or short-term investments in certificates of deposit.

The City utilizes a trustee bank to hold monies set aside for current and future debt service payments and asset replacement under provisions of the bond indenture. The balances in these accounts are presented on the Combined Balance Sheet as "Restricted Assets: Cash and Cash Equivalents with Fiscal and Escrow Agents". Amounts invested by the trustee bank for the Water Enterprise Fund are limited to treasury bills and are reported at fair value which is based on quoted market prices.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, 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.

G. Restricted Assets

Restricted assets in the enterprise funds represent monies legally restricted for payment of revenue bond issues, funds restricted as part of the bond indenture for the purchase of equipment, and customer deposits.

CITY OF MARIETTA
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H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets (assets used to provide the services accounted for in the enterprise funds) are reported in the respective funds. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund type is computed using the straight-line method over the following useful lives:

Buildings	40 - 50 years
Improvements other than Buildings	15 - 50 years
Machinery and Equipment	10 - 15 years
Furniture and Fixtures	10 - 15 years
Vehicles	3 - 5 years

I. Interfund Assets and Liabilities

Amounts owed to a particular fund by another fund in the same government for goods or services rendered are classified as "Due from Other Funds/Due to Other Funds."

J. Compensated Absences

GASB Statement 16, "Accounting for Compensated Absences", specifies the methods used to accrue liabilities for leave benefits. 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 City will compensate the employees for the benefits through paid time off or some other means. 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 the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

CITY OF MARIETTA
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The City records a liability for accumulated, unused vacation time when earned for all employees who have worked beyond their probation period. 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, after twelve years of service for the Fire, after fifteen years of service for the Water, Sewer, Street, Engineer, Maintenance, and Income Tax, and after twenty years of service for the Police, Parks, Health, Cemetery and Recreation. The remaining departments record a liability for accumulated, unused sick leave only after retirement eligibility is reached. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Contributed Capital

Contributed capital represents federal and state grants, special assessments, and resources from other funds and private sources provided to the City's proprietary funds which are not subject to repayment.

Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1990, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

L. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

M. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, endowments (monies contributed for yearly maintenance of cemetery plots and maintenance of parks), inventories of supplies and materials, unclaimed monies, and loans (Community Development Block Grant monies loaned to local businesses and individuals). Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

N. Interfund Transactions

During the course of normal operations the City had numerous transactions between funds. The most significant include operating transfers and reimbursements.

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.

CITY OF MARIETTA
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2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, special termination benefits, and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

P. Unamortized Bond Discount/Issuance Costs

Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Issuance costs are recorded as deferred charges.

Q. Estimates

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

R. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

During 1999, the City determined that intergovernmental receivables were overstated in the Community Development Special Revenue Fund and that the Issue II Paving Loan should be reported in the general long-term obligations account group. These adjustments had the following effects on excess of revenues over (under) expenditures as previously reported as of December 31, 1998:

CITY OF MARIETTA
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	<u>Special Revenue</u>	<u>Capital Projects</u>
Excess as Previously Reported	\$429,040	\$76,943
Overstated Intergovernmental Receivable	(190,161)	0
Issue II Loan Reclassification	<u>0</u>	<u>254,765</u>
Restated Excess for the Year Ended December 31, 1998	<u>\$238,879</u>	<u>\$331,708</u>

The adjustments referred to above had the following effects on fund balance as it was previously reported at December 31, 1998:

	<u>Special Revenue</u>	<u>Capital Projects</u>
Balances as Previously Reported	\$1,847,947	\$1,499,933
Overstated Intergovernmental Receivable	(190,161)	0
Issue II Loan Reclassification	<u>0</u>	<u>254,765</u>
Restated Balances - December 31, 1998	<u>\$1,657,786</u>	<u>\$1,754,698</u>

Due to the Issue II Loan reclassification, the general long-term obligations account group was restated at December 31, 1998, from \$1,331,930 to \$1,586,695. Fixed assets were also restated in the general fixed assets account group from \$9,230,103 to \$9,239,574 at December 31, 1998.

NOTE 4 - COMPLIANCE

Statutory Compliance

The following accounts had expenditures/expenses plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

	<u>Excess</u>
<u>General Fund:</u>	
General Government - Auditor	
Contractual Services	\$163
<u>Special Revenue Funds:</u>	
<u>Recreation Fund:</u>	
Leisure Time Activities	
Contractual Services	73
<u>Health Fund:</u>	
Public Health Services	
Materials and Supplies	131
<u>Community Development Fund:</u>	
Community Environment	
Contractual Services	418

CITY OF MARIETTA
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The following funds had appropriations in excess of estimated resources plus available balances for the year ended December 31, 1999:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Community Development Fund	\$1,187,120	\$1,648,800	\$461,680
COPS Fast Grant Fund	50,000	50,024	24
Law Enforcement Block Grant Fund	16,720	26,720	10,000
Municipal Court Security System Fund	0	23,000	23,000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Similar Trust Funds are presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure for the proprietary fund type (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
6. Revenues received by year end and not posted to cash (budget basis) are recorded as revenue (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the Budget Basis to the GAAP basis are as follows:

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Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
All Governmental Funds Types and Similar Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$559,670	\$555,017	\$0	\$433,065	\$67,303
Adjustments:					
Revenue Accruals	(10,366)	243,783	0	(6,408)	(16,019)
Unreported Cash and Interest	(15,627)	(4,818)	0	0	0
Segregated Accounts	(624)	0	0	0	0
Prepays	55,958	13,073	0	0	0
Revolving Loans	0	(21,085)	0	0	0
Expenditure Accruals	(73,190)	(168,742)	0	(94,029)	0
Debt Service:					
Principal Retirement	0	(99,250)	0	0	0
Operating Transfers Out	0	99,250	0	0	0
Disbursements Against Prior Year Encumbrances	441,142	381,664	0	146,754	0
Encumbrances	<u>(299,023)</u>	<u>(308,401)</u>	<u>0</u>	<u>(156,412)</u>	<u>0</u>
Budget Basis	<u>\$657,940</u>	<u>\$690,491</u>	<u>\$0</u>	<u>\$322,970</u>	<u>\$51,284</u>

CITY OF MARIETTA
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Net Income/Excess of Revenues
Over Expenses and Operating Transfers
Proprietary Fund Type and Similar Trust Funds

	Enterprise	Non-Expendable Trust
GAAP Basis	\$52,208	\$16,232
Adjustments:		
Revenue Accruals	1,597,584	(1,632)
Unreported Cash and Interest	(3,218)	0
Segregated Accounts	(119,492)	0
Prepays	36,256	0
Bond Proceeds	1,215,000	0
Operating Transfers In	(99,250)	0
Contributed Capital	(751,171)	0
Expense Accruals	(1,242,244)	0
Depreciation	1,079,857	0
Debt Service:		
Principal Retirement	(1,807,289)	0
Interest and Fiscal Charges	(40,248)	0
Capital Outlay (278,642)	0	
Disbursements Against Prior Year Encumbrances	1,214,251	0
Encumbrances	(419,478)	0
Budget Basis	\$434,124	\$14,600

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.

Inactive deposits are public deposits that Council has identified as not required for use within the current two 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.

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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 pass book 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 treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim monies to 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 State 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 exceeds 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. 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; and,
6. The State Treasurer's investment pool (STAR Ohio).

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 not 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. 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.

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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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits. At year end, the carrying amount of the City's deposits was \$8,673,805 and the bank balance was \$8,867,196. Of the bank balance:

1. \$745,113 was covered by federal depository insurance;
2. \$4,369,678 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and
3. \$3,752,405 was uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

If a federal court in Ohio were to apply an interpretation of 12 U.S.C.A. 1823(e) which was applied in 1992 by the United States Court of Appeals for the 8th Circuit, noncompliance by a pledging financial institution might lead to a claim by the FDIC that the City did not have a perfected security interest in the security. This may therefore preclude the City from recovering against pledged collateral in the event of the insolvency of the depository.

Investments. The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$3,896,000	\$3,896,000	\$3,896,541

The classification of "Cash and Cash Equivalents" and "Investments" on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

CITY OF MARIETTA
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	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$10,852,187	\$1,719,678
Petty Cash	(2,060)	0
Investments:		
Repurchase Agreement	(3,896,000)	3,896,000
Certificates of Deposit	<u>1,719,678</u>	<u>(1,719,678)</u>
GASB Statement 3	<u>\$8,673,805</u>	<u>\$3,896,000</u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property located in the City. Property tax revenue received during 1999 for real and public utility property taxes represents collections of 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 taxes collected from real property taxes (other than public utility) are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State Law at 35 percent of appraised market value. 1999 real property taxes are intended to finance 2000. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

1999 taxes collected on tangible personal property (other than public utility) are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value. 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.

1999 public utility real and tangible personal property taxes become a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes. Public utility tangible personal property currently is at various percentages of true value; public utility real property is assessed at 35 percent of true value.

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 represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1999 operations. The receivable is offset by deferred revenue.

The assessed value upon which the 1999 taxes were collected was \$200,766,650. Real estate represented 87 percent (\$174,578,100) of this total and general tangible personal property represented 13 percent (\$26,188,550). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1999, was \$2.40 per \$1,000 of assessed valuation.

CITY OF MARIETTA
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NOTE 8 - RECEIVABLES

Receivables at December 31, 1999, consisted of taxes, accounts (billings for user charged services including unbilled utility services and outstanding court costs), special assessments, 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 including unbilled utility services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The General Fund reflects loans receivable of \$245. This amount is for the notes owed to the City from the Front Street ISTEPA Project property owners. The notes bear no interest. The special revenue funds reflect loans receivable of \$200,569. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to local businesses for capital improvements or to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates between zero and three percent. The loans are to be repaid over periods ranging from two to fifteen years. The Capital Projects Funds reflect loans receivable of \$1,691. This amount is for the notes owed to the City from the Putnam Street Project property owners. The notes bear no interest.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
General Fund:	
Estate Tax	\$117,051
Local Government	41,365
Access Pier Project Reimbursement	5,000
Workers' Compensation Reimbursements	3,768
Immobilization Fees	<u>500</u>
Total General Fund	<u>167,684</u>
Special Revenue Funds:	
Gasoline Tax	18,293
COPS Fast	13,468
Housing Urban Development	10,711
Excise Tax	9,284
Drug Abuse and Resistance Education	8,107
Motor Vehicle License	6,548
Victims Information Program	5,059
Immunization Action Plan Grant	4,263
Children with Medical Handicaps Reimbursements	2,540
Welfare Reimbursements	1,013
Immunizations	<u>115</u>
Total Special Revenue Funds	<u>79,401</u>
Enterprise Funds:	
Ohio EPA Findings	10,000
Economic Development Administration Grant	<u>49,472</u>
Total Enterprise Funds	<u>59,472</u>
Total	<u><u>\$306,557</u></u>

CITY OF MARIETTA
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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.

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 are distributed to funds in the following manner: 64% to the General Fund, 14% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, 1% to the Cemetery Special Revenue Fund, 1% to the Recreation Special Revenue Fund, and 9% to the Capital Improvement Capital Projects Fund.

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of the enterprise funds' property, plant and equipment at December 31, 1999, follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Land	\$60,980	\$386,120	\$447,100
Buildings	1,357,882	1,362,548	2,720,430
Improvements other than Buildings	22,312,744	16,110,522	38,423,266
Equipment and Machinery	2,229,802	1,152,295	3,382,097
Furniture and Fixtures	14,186	25,536	39,722
Vehicles	269,076	164,905	433,981
Construction in Progress	<u>0</u>	<u>7,560,413</u>	<u>7,560,413</u>
Total	26,244,670	26,762,339	53,007,009
Less: Accumulated Depreciation	<u>(18,639,764)</u>	<u>(17,497,651)</u>	<u>(36,137,415)</u>
Net Fixed Assets	<u>\$7,604,906</u>	<u>\$9,264,688</u>	<u>\$16,869,594</u>

A summary of the changes in general fixed assets during 1999 follows:

	<u>Balance December 31, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 1999</u>
Land	\$1,004,754	\$0	\$0	\$1,004,754
Buildings	2,937,615	314,834	0	3,252,449
Improvements other than Buildings	776,212	0	897	775,315
Equipment and Machinery	2,130,038	201,748	37,494	2,294,292
Furniture and Fixtures	310,409	16,063	3,895	322,577
Vehicles	<u>2,080,546</u>	<u>345,906</u>	<u>183,717</u>	<u>2,242,735</u>
Total	<u>\$9,239,574</u>	<u>\$878,551</u>	<u>\$226,003</u>	<u>\$9,892,122</u>

CITY OF MARIETTA
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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 Titan Indemnity Company for general, products-completed operations, personal and advertising injury, and fire damage liability insurance. Each of these insurance policies has a \$2,000,000 per occurrence limit and a \$2,500 deductible. The Barengo Insurance Company provides property and liability coverage for the City with the following coverage limits and deductibles.

<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real Property	\$46,602,549	\$1,000	
Boiler and Machinery	2,000,000	1,000	
Personal Property	4,165,793	1,000	
<u>Liability</u>	<u>Limit (Per Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$2,000,000	\$6,000,000	\$2,500
Medical Professional	2,000,000	6,000,000	2,500
Employee Benefits	2,000,000	6,000,000	1,000
Employer Liability	2,000,000	6,000,000	2,500
Firemen's Errors and Omissions	2,000,000	6,000,000	2,500
Public Officials Wrongful Acts	2,000,000	6,000,000	2,500
Law Enforcement	2,000,000	6,000,000	2,500

Vehicles are covered by The Personal Service Insurance Company and have a \$50 deductible for comprehensive and \$100 for collision. Automobile liability has a \$1,000,000 combined single limit for bodily injury and liability for property damage. The Assistant Safety-Service Director reviews all claims. Settlements have not exceeded coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

For 1999, the City participated in the Ohio Municipal League of Ohio Worker's Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower worker's compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating Cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its worker's compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Worker's Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access less experience for three years following the last year of participation.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, other than non-administrative full-time uniformed police officers and firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The City's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997, were \$352,567, \$303,119, and \$259,592, respectively. The full amount has been contributed for 1998 and 1997. 74.17 percent has been contributed for 1999 with the remainder being reported as a fund liability.

B. Police and Fire Disability and Pension Fund

The City contributes to the Police and Fire Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer public employee retirement system administered by PFDPF's Board of Trustees. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. PFDPF issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Police and Fire Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to PFDPF for police and firefighters were \$163,763 and \$231,851 for the year ended December 31, 1999, \$143,807 and \$229,732 for 1998, and \$147,219 and \$207,135 for 1997. The full amount has been contributed for 1998 and 1997. 75.07 percent and 74.60 percent, respectively, have been contributed for 1999 with the remainder being reported as a fund liability.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$158,372.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equaled 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

B. Police and Fire Disability and Pension Fund

The Police and Fire Disability and Pension Fund (PFDPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly 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 health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Fire Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Fire Disability and Pension Fund 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 is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll is applied to the postemployment health care program, an increase from 6.5 percent in 1998. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1999 that were used to fund postemployment benefits were \$85,157 for police and \$88,649 for fire. PFDPF's total health care expenses for the year ended December 31, 1998, (the latest information available) were \$78,596,790. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 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
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

B. Additional Insurance

The City provides \$10,000 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 Canada 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 \$322.82 of the total monthly premium of \$466.55 for family coverage and \$107.32 of the total monthly premium of \$155.10 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 \$322.82 of the total monthly premium of \$366.84 for family coverage and \$107.32 of the total monthly premium of \$121.95 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 \$322.82 of the total monthly premium of \$350.68 for family coverage and \$107.32 of the total monthly premium of \$116.80 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. Settlements have not exceeded coverage in any of the last three years.

C. Compensated Absences

The criteria for determining vested vacation and sick leave components 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. Firemen whose employment with the City is terminated by retirement at any time, or after twelve years of consecutive employment by the City, are paid for accumulated sick leave up to a maximum of 120 days if hired before January 1, 1991. Firemen whose employment with the City is terminated by retirement at any time, 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 if hired after January 1, 1991. 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. 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
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 1999, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

<u>Projects:</u>	<u>Purchase</u> <u>Commitments</u>	<u>Amount</u> <u>Expended</u>	<u>Amount</u> <u>Remaining</u> <u>on Contracts</u>
<u>General Fund:</u>			
Ohio River Boater Access Pier	<u>\$152,597</u>	<u>\$147,597</u>	<u>\$5,000</u>
<u>Special Revenue Funds:</u>			
<u>Community Development Fund:</u>			
Ohio River Boater Access Pier	51,208	51,208	0
Water Treatment Plant Phase III			
East Norwood Tank Project	184,645	183,659	986
Street Improvements	16,640	6,437	10,203
<u>Street Fund:</u>			
Traffic Signal Project	81,000	0	81,000
Street Reconstruction	<u>6,200</u>	<u>3,188</u>	<u>3,012</u>
Total Special Revenue Funds	<u>339,693</u>	<u>244,492</u>	<u>95,201</u>
<u>Recreation Facility</u>			
<u>Capital Improvement Fund:</u>			
Recreation Facility Project	<u>25,000</u>	<u>927</u>	<u>24,073</u>
<u>Enterprise Funds:</u>			
<u>Sewer Enterprise Fund:</u>			
Boiler Replacement	21,460	0	21,460
Sewer Line Inspections	18,034	0	18,034
<u>Water Enterprise Fund:</u>			
Water Main Replacements	15,250	0	15,250
Water Treatment Plant			
Phase III Improvements	<u>7,208,858</u>	<u>7,093,756</u>	<u>115,102</u>
Total Enterprise Funds	<u>7,263,602</u>	<u>7,093,756</u>	<u>169,846</u>
Total All Funds	<u>\$7,780,892</u>	<u>\$7,486,772</u>	<u>\$294,120</u>

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 1999, were as follows:

	<u>Outstanding</u> <u>12-31-98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12-31-99</u>
<u>ENTERPRISE FUND OBLIGATIONS</u>				
<u>GENERAL OBLIGATION BONDS:</u>				
Waterworks System 1976 Bond, 6.5%	\$195,000	\$0	\$65,000	\$130,000
1999 Sewer System Refunding Bonds, 3.2% - 4.0%	0	1,215,000	110,000	1,105,000
L.T. Sewer System 1988 Bond, 7.0% - 7.6%	<u>425,000</u>	<u>0</u>	<u>425,000</u>	<u>0</u>
TOTAL GENERAL OBLIGATION BONDS	<u>620,000</u>	<u>1,215,000</u>	<u>600,000</u>	<u>1,235,000</u>
<u>REVENUE BONDS:</u>				
Water Revenue 1996 Bonds, 4.15% - 5.95%	5,745,000	0	135,000	5,610,000
Mortgage Revenue Sewer System 1988 Bonds, 5.0% - 7.5%	<u>1,150,000</u>	<u>0</u>	<u>1,150,000</u>	<u>0</u>
TOTAL REVENUE BONDS	<u>6,895,000</u>	<u>0</u>	<u>1,285,000</u>	<u>5,610,000</u>
Water Issue II Loan Payable - 0%	<u>380,000</u>	<u>0</u>	<u>20,000</u>	<u>360,000</u>
TOTAL ENTERPRISE FUND OBLIGATIONS	<u>7,895,000</u>	<u>1,215,000</u>	<u>1,905,000</u>	<u>7,205,000</u>
<u>GENERAL LONG-TERM OBLIGATIONS</u>				
Police and Fire Pension Liability	707,190	0	707,190	0
Pension Refunding Bonds - 3.75% - 4.0%	0	500,000	75,000	425,000
Paving Issue II Loan Payable - 2.0%	254,765	0	7,324	247,441
Compensated Absences	<u>624,740</u>	<u>293,746</u>	<u>331,173</u>	<u>587,313</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS	<u>1,586,695</u>	<u>793,746</u>	<u>1,120,687</u>	<u>1,259,754</u>
GRAND TOTAL	<u>\$9,481,695</u>	<u>\$2,008,746</u>	<u>\$3,025,687</u>	<u>\$8,464,754</u>

Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Water Issue II Loan in the Water Enterprise Fund was issued to help finance the water treatment plant phase III improvements. The pension bonds will be paid from general property tax revenues. The Paving Issue II Loan was issued to finance paving on Third Street in the City. The loan will be paid from intergovernmental revenue of the State Highway Special Revenue Fund. Compensated absences reported in the "compensated absences payable" account will be paid from the fund which the employee's salaries are paid.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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On April 15, 1999, the City issued \$1,215,000 in general obligation bonds with interest rates varying from 3.2 percent to 4 percent. The net proceeds of \$1,176,539 (after underwriting fees and issuance costs) plus additional \$478,669 of City monies were used to retire the \$425,000 1988 sewer system general obligation bonds and the \$1,150,000 of 1988 sewer mortgage revenue bonds. \$5,255 of the proceeds were deposited into the Sewer Enterprise Fund and will be used to repay the debt. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the debt of \$80,208. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2007 using the straight-line method. The City decreased its total debt service payments by \$297,871 as a result of the current refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$162,269.

General obligation and revenue bonds payable in the enterprise funds are made up of the following components:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Outstanding Balance of Bonds	\$5,740,000	\$1,105,000	\$6,845,000
Unamortized Discount	(9,729)	0	(9,729)
Unamortized Accounting Gain	<u>0</u>	<u>(73,895)</u>	<u>(73,895)</u>
Net Bonds Payable	<u>\$5,730,271</u>	<u>\$1,031,105</u>	<u>\$6,761,376</u>

On May 15, 1999, the City issued \$500,000 in general obligation bonds with interest rates varying from 3.75 percent to 4 percent. Proceeds were used to retire \$483,381 of the outstanding police and fire pension liability, after the discount of early payoff. An analysis of this information follows:

	<u>Police and Fire Pension Liability</u>
Outstanding at 12/31/98	\$707,190
Principal Payments	(4,139)
Amount of Discount for Early Payoff	(219,670)
Amount Refunded	<u>(483,381)</u>
Outstanding at 12/31/99	<u>\$0</u>

The City decreased its total debt service payments by \$816,705 as a result of the current refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$809,534.

As of December 31, 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$20,408,057. 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, 1999, is \$2,525,000. 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.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999, are as follows:

<u>Year</u>	<u>Pension Bonds</u>	<u>General Obligation Bonds</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
2000	\$96,590	\$230,813	\$462,473	\$789,876
2001	93,550	232,749	461,032	787,331
2002	95,470	164,205	459,145	718,820
2003	97,155	164,265	461,870	723,290
2004	93,600	164,000	458,950	716,550
2005-2021	<u>0</u>	<u>497,400</u>	<u>7,833,233</u>	<u>8,330,633</u>
	476,365	1,453,432	10,136,703	12,066,500
Less Interest	<u>(51,365)</u>	<u>(218,432)</u>	<u>(4,526,703)</u>	<u>(4,796,500)</u>
	<u>\$425,000</u>	<u>\$1,235,000</u>	<u>\$5,610,000</u>	<u>\$7,270,000</u>

Principal and interest requirements to retire the Issue II Loan liabilities at December 31, 1999, are as follows:

<u>Year</u>	<u>Water</u>	<u>Paving</u>	<u>Total</u>
2000	\$20,000	\$9,871	\$29,871
2001	20,000	19,743	39,743
2002	20,000	19,743	39,743
2003	20,000	19,743	39,743
2004	20,000	19,744	39,744
2005-2018	<u>260,000</u>	<u>197,434</u>	<u>457,434</u>
	360,000	286,278	646,278
Less Interest	<u>(0)</u>	<u>(38,837)</u>	<u>(38,837)</u>
	<u>\$360,000</u>	<u>\$247,441</u>	<u>\$607,441</u>

NOTE 17 - NOTE DEBT

The City's loan activity, including interest rate and the purpose for which the loan was issued is as follows:

	<u>Outstanding 12-31-98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12-31-99</u>
<u>Water Enterprise Fund:</u>				
East Norwood Tank Notes - 3.75%	\$400,000	\$0	\$400,000	\$0

The note activity was reflected in the fund which received the proceeds and which will repay the debt. The note was issued to help finance the construction of the East Norwood water tank. The note was backed by the full faith and credit of the City of Marietta.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 18 - INTERFUND TRANSACTIONS

Due from Other Funds and Due to Other Funds at December 31, 1999, consisted of the following:

<u>Due From/To Other Funds:</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$51,415</u>	<u>\$0</u>
<u>Special Revenue Funds:</u>		
Court Clerk Computerization	3,318	0
Indigent Alcohol	519	0
Law Enforcement Trust	225	0
Copsfast	0	13,468
Community Development	<u>0</u>	<u>872</u>
Total Special Revenue Funds	<u>4,062</u>	<u>14,340</u>
<u>Capital Projects Fund:</u>		
Court Capital Improvement	<u>9,536</u>	<u>0</u>
<u>Agency Fund:</u>		
Payroll	0	81
Municipal Court	<u>0</u>	<u>50,592</u>
Total Agency Funds	<u>0</u>	<u>50,673</u>
Total	<u><u>\$65,013</u></u>	<u><u>\$65,013</u></u>

NOTE 19 - CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended December 31, 1999:

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
Contributed Capital December 31, 1998	<u>\$8,214,603</u>	<u>\$2,653,531</u>	<u>\$10,868,134</u>
Current Contribution:			
Intergovernmental	0	751,171	751,171
Other Funds	<u>0</u>	<u>185,894</u>	<u>185,894</u>
Total Contributions	<u>0</u>	<u>937,065</u>	<u>937,065</u>
Contributed Capital December 31, 1999	<u><u>\$8,214,603</u></u>	<u><u>\$3,590,596</u></u>	<u><u>\$11,805,199</u></u>

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of sewer and water services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Marietta as of and for the year ended December 31, 1999:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues	\$1,537,111	\$2,395,754	\$3,932,865
Depreciation	395,183	684,674	1,079,857
Operating Income	18,571	263,389	281,960
Net Non-Operating Revenues (Expenses)	(19,748)	(309,254)	(329,002)
Operating Transfers In	0	99,250	99,250
Net Income (Loss)	(1,177)	53,385	52,208
Additions to Fixed Assets	183,976	1,419,649	1,603,625
Deletions from Fixed Assets	2,844	330,324	333,168
Current Capital Contributions	0	937,065	937,065
Net Working Capital	1,714,435	1,930,993	3,645,428
Total Assets	9,615,665	11,699,511	21,315,176
Long-Term Liabilities to be paid from fund revenues	1,057,262	6,017,719	7,074,981
Total Equity	8,262,079	5,177,962	13,440,041
Encumbrances Outstanding at December 31, 1999	131,102	288,376	419,478

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

- A. The Buckeye Hills-Hocking Valley Regional Development District serves as the Area Agency on Aging for 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 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 \$1,503 to the District during 1999. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

CITY OF MARIETTA
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

- B. 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/Certificate Program and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is comprised 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 1997, the Corporation administered the City's share of the Community Action Bus Line, the City's Housing and Urban Development grant, and Comprehensive Housing Improvement Program grant. During 1999, the Corporation did not receive any administrative fees from the City. These fees were received by the Corporation directly from the granting agencies. 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 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 1999, the City of Marietta contributed \$3,561. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

NOTE 22 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 1999.

B. Litigation

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

CITY OF MARIETTA
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF COMMERCE			
<i>Direct from Federal Government:</i>			
Economic Development - Grant for Public Works and Infrastructure Development	11.300	06-01-02865	\$ <u>751,171</u>
Total U.S. Department of Commerce			751,171
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct from Federal Government:</i>			
Community Development Block Grant - Entitlement Program	14.218	B-98-MC-39-0018 B-99-MC-39-0018	505,380 <u>52,482</u>
Total Community Development Block Grant			<u>557,862</u>
Section 8 Housing Cluster Rental Voucher Program	14.855	OH16-V077-006-009	497,908
Rental Certificate Program	14.857	OH16-E077-003-006	<u>366,534</u>
Total Section 8 Housing Cluster			<u>864,442</u>
Total U.S. Department of Housing and Urban Development			1,422,304
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct from Federal Government:</i>			
Public Safety Partnership and Community Policing Grants COPS Universal Hiring Grant	16.710	95-CF-WX-5256	50,024
<i>Pass through Governor's Office of Criminal Justice Services:</i>			
Byrne Formula Grant Program	16.579	97-DG-D02-7184	22,500
Violence Against Women Formula Grant	16.588	96-WF-VA2-8424	23,998
Local Law Enforcement Block Grants Program	16.592	97-LB-LEB-3043	<u>14,355</u>
Total U.S. Department of Justice			110,877
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Pass through State Emergency Management Agency:</i>			
Public Assistance Program	83.544	DR-1227	<u>32,667</u>
Total Federal Emergency Management Agency			32,667
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass through State Department of Health</i>			
Immunization Grants Program	93.268	84-2-02-P-AZ-392	12,611
Preventive Health and Health Services Block Grant	93.991	213-D	<u>5,920</u>
Total U.S. Department of Health and Human Services			<u>18,531</u>
Total Federal Awards Expenditures			<u>\$ 2,335,550</u>

The accompanying notes to this Schedule are an integral part of this Schedule.

CITY OF MARIETTA
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

Note 1 - Basis of Accounting

The City prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Note 2 - Subrecipients

The City passes through certain federal assistance received from the U.S. Department of Housing and Urban Development to the Community Action Program Corporation of Washington-Morgan Counties, Ohio, a not-for-profit entity.

The subrecipient agency has certain compliance responsibilities related to administering these federal programs. Under OMB 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 grants agreements, and that performance goals are achieved.

Note 3 - Matching Requirements

Certain federal programs require the City to contribute nonfederal (matching) funds to support the federally funded programs. The City has complied with the matching requirements. The expenditure of nonfederal matching funds is not included on the Schedule.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of City Council:

We have audited the general purpose financial statements of the City of Marietta, Washington County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated July 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated July 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 20, 2000.

This report is intended for the information and use of the audit committee, City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 20, 2000



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

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

To the Members of 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 are applicable to its major federal program for the year ended December 31, 1999. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. 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 generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings as item 1999-21084-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated July 20, 2000.

This report is intended for the information and use of the audit committee, City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

July 20, 2000

**CITY OF MARIETTA
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	Economic Development - Grant for Public Works and Infrastructure Development CFDA #11.300
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

**CITY OF MARIETTA
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 §.505
 DECEMBER 31, 1999
 (Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	1999-21084-001
CFDA Title and Number	Section 8 Cluster: Rental Voucher Program - CFDA 14.855 and Rental Certificate Program - CFDA 14.857
Federal Award Number/Year	OH16-V077-006-009; OH16-E077-003-006
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	N/A

Reportable Condition

Subrecipient Monitoring

In an addendum (entitled "Subrecipient Monitoring") to a subrecipient agreement signed February 23, 1998, the City was required to perform a quarterly review of a sample of Section 8 client files with a representative of the Community Action Program Corporation of Washington-Morgan Counties (Community Action). Community Action served as the administrator of the Section 8 programs for the City.

The quarterly review was required to be performed by the fifteenth day of each month following the end of each calendar quarter. The review of Section 8 client files was not performed for the third quarter of 1999. This could result in noncompliance with the subrecipient agreement between the City and Community Action and could result in the loss of federal funds for the program.

We recommend the City perform the quarterly review of Section 8 client files by the fifteenth day of each month following the end of each calendar quarter.

CITY OF MARIETTA
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
DECEMBER 31, 1999

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
1998-21084-001	The City was required to perform a quarterly review of a sample of Section 8 Cluster client files with a representative of the Community Action Program Corporation of Washington-Morgan Counties (Community Action). The review of section 8 client files was not always performed or documented timely.	No	Not Corrected: Some improvement was noted in 1999. However, the third quarter review (due 10/15/99) was not performed.



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CITY OF MARIETTA

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 5, 2000