



Mary Taylor, CPA  
Auditor of State



**CITY OF MARIETTA  
WASHINGTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Fund.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Community Development Fund .....	22
Statement of Fund Net Assets – Enterprise Funds .....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds .....	24
Statement of Cash Flows – Enterprise Funds .....	25
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	26
Notes to the Basic Financial Statements .....	27
Schedule of Federal Awards Expenditures.....	59
Notes to the Schedule of Federal Awards Expenditures .....	60
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	61
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	63

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of Findings – OMB Circular A-133 § .505.....	65
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	76



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street and Community Development Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

September 5, 2008

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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The discussion and analysis of the City of Marietta's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$821,784. Net assets of governmental activities increased \$842,070, while the business-type activities decreased \$20,286.
- General governmental revenues accounted for \$11,753,561 in revenue or 64% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,512,986 or 36% of total revenues of \$18,266,547.
- For governmental activities, total assets increased \$2,923,821. Cash increased \$2,737,137 as well as due from other governments by \$418,148. Total liabilities increased \$2,081,751. Contracts and notes payable increased \$656,737 and \$1,450,000, respectively. These increases were offset by a decrease in due to other governments of \$240,433.
- For business-type activities, total assets increased \$102,193. Cash increased \$381,517 while capital assets decreased \$321,495. Total liabilities increased \$122,479. Accounts, contracts, and accrued interest payable had increases of \$20,951, \$57,241, and \$13,567, respectively. Although \$460,979 in debt payments were made in 2007, the City also issued a \$430,000 bond anticipation note during the year.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Marietta as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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***Reporting the City of Marietta as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

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

*Fund Financial Statements*

Fund financial statements begin on page 16. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Marietta, our major funds are the General, Street, Community Development, Capital Improvement, State Route 7 TIF, Sewer, and Water Funds.

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

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



**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

**The City of Marietta as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

(Table 1)  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and Other Assets	\$15,217,455	\$12,287,867	\$4,391,232	\$3,967,544	\$19,608,687	\$16,255,411
Capital Assets, Net	20,002,540	20,008,307	13,141,607	13,463,102	33,144,147	33,471,409
<i>Total Assets</i>	<u>35,219,995</u>	<u>32,296,174</u>	<u>17,532,839</u>	<u>17,430,646</u>	<u>52,752,834</u>	<u>49,726,820</u>
<b>Liabilities</b>						
Current and Other Liabilities	3,540,734	2,777,103	653,993	532,770	4,194,727	3,309,873
Long-term Liabilities						
Due Within One Year	18,557	32,275	295,080	445,538	313,637	477,813
Due in More Than One Year	2,158,613	826,775	5,992,978	5,841,264	8,151,591	6,668,039
<i>Total Liabilities</i>	<u>5,717,904</u>	<u>3,636,153</u>	<u>6,942,051</u>	<u>6,819,572</u>	<u>12,659,955</u>	<u>10,455,725</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	18,705,712	19,718,435	7,205,901	7,563,040	25,911,613	27,281,475
Restricted:						
Street	2,018,121	1,778,887	0	0	2,018,121	1,778,887
Cemetery	12,874	20,387	0	0	12,874	20,387
Community Development	828,694	547,631	0	0	828,694	547,631
Parking	9,470	12,353	0	0	9,470	12,353
Fire Operations	44,131	87,750	0	0	44,131	87,750
Police Operations	122,382	125,722	0	0	122,382	125,722
Court Operations	304,383	280,902	0	0	304,383	280,902
Recreation	710,547	711,573	0	0	710,547	711,573
Health	95,763	87,346	0	0	95,763	87,346
Other Purposes	25,851	20,870	0	0	25,851	20,870
Debt Service	0	0	25,423	42,156	25,423	42,156
Capital Projects	4,019,307	3,761,019	0	0	4,019,307	3,761,019
Perpetual Care:						
Expendable	2,655	1,937	0	0	2,655	1,937
Non-expendable	418,723	414,333	0	0	418,723	414,333
Park Non-expendable Trust	1,000	1,000	0	0	1,000	1,000
Unclaimed Monies	23,666	18,454	0	0	23,666	18,454
Unrestricted	2,158,812	1,071,422	3,359,464	3,005,878	5,518,276	4,077,300
<i>Total Net Assets</i>	<u>\$29,502,091</u>	<u>\$28,660,021</u>	<u>\$10,590,788</u>	<u>\$10,611,074</u>	<u>\$40,092,879</u>	<u>\$39,271,095</u>

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

---

Total assets increased \$3,026,014, \$2,923,821 for governmental activities and \$102,193 for business-type activities. Total liabilities increased \$2,204,230, \$2,081,751 for governmental activities and \$122,479 for business-type activities.

For governmental activities, equity in pooled cash increased \$2,743,689 due to the City's ability to keep expenses under incoming revenues. Due from other governments increased \$418,148 mainly in three areas - \$112,510 for estate taxes, \$107,082 for the Community Development Block Grant, and \$185,717 for the Comprehensive Housing Improvement Program grant. The City experienced increases in contracts payable of \$656,737 due mainly from street and community development projects. The City issued a \$1,450,000 bond anticipation note for the State Route 7 project. Due to other governments decreased \$240,433. The majority of this decrease was from a \$265,391 payable recorded in 2006 to the Ohio Department of Transportation.

For business-type activities, total assets increased \$102,193. Cash increased \$381,517 while capital assets decreased \$321,495. Total liabilities increased \$122,479. Accounts, contracts, and accrued interest payable had increases of \$20,951, \$57,241, and \$13,567, respectively. Although \$460,979 in debt payments were made in 2007, the City also issued a \$430,000 bond anticipation note during the year.

Table 2 shows the changes in net assets for the year ended December 31, 2007, and comparisons to 2006.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

(Table 2)  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$2,207,039	\$2,186,418	\$5,195,252	\$4,794,100	\$7,402,291	\$6,980,518
Operating Grants, Contributions and Interest	4,054,461	3,433,078	0	0	4,054,461	3,433,078
Capital Grants and Contributions	251,486	228,672	0	0	251,486	228,672
<b>Total Program Revenues</b>	<b>6,512,986</b>	<b>5,848,168</b>	<b>5,195,252</b>	<b>4,794,100</b>	<b>11,708,238</b>	<b>10,642,268</b>
General Revenues						
Property Taxes	557,494	548,361	0	0	557,494	548,361
Hotel Tax	248,297	209,447	0	0	248,297	209,447
Income Tax	8,168,095	7,938,168	0	0	8,168,095	7,938,168
Franchise Tax	201,489	124,797	0	0	201,489	124,797
Grants and Entitlements	1,216,309	831,829	0	0	1,216,309	831,829
Investment Earnings	505,655	345,436	10,499	7,520	516,154	352,956
Donations	0	7,765	0	0	0	7,765
Gain on Sale of Capital Assets	8,841	0	0	1,522	8,841	1,522
Other	847,381	348,315	121,656	11,557	969,037	359,872
<b>Total General Revenues</b>	<b>11,753,561</b>	<b>10,354,118</b>	<b>132,155</b>	<b>20,599</b>	<b>11,885,716</b>	<b>10,374,717</b>
<b>Total Revenues</b>	<b>18,266,547</b>	<b>16,202,286</b>	<b>5,327,407</b>	<b>4,814,699</b>	<b>23,593,954</b>	<b>21,016,985</b>
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	3,515,803	2,891,104	0	0	3,515,803	2,891,104
Court	1,013,344	1,038,156	0	0	1,013,344	1,038,156
Security of Persons and Property:						
Police	3,010,509	2,793,530	0	0	3,010,509	2,793,530
Fire	3,160,582	2,799,657	0	0	3,160,582	2,799,657
Public Health Services	861,847	855,901	0	0	861,847	855,901
Community Environment	589,387	311,084	0	0	589,387	311,084
Intergovernmental	1,914,575	1,895,794	0	0	1,914,575	1,895,794
Street	2,653,434	2,556,517	0	0	2,653,434	2,556,517
Transportation	27,274	86,939	0	0	27,274	86,939
Leisure Time Activities	627,009	534,607	0	0	627,009	534,607
Interest and Fiscal Charges	50,713	30,973	0	0	50,713	30,973
Sewer	0	0	2,284,016	2,408,454	2,284,016	2,408,454
Water	0	0	3,063,677	2,896,431	3,063,677	2,896,431
<b>Total Program Expenses</b>	<b>17,424,477</b>	<b>15,794,262</b>	<b>5,347,693</b>	<b>5,304,885</b>	<b>22,772,170</b>	<b>21,099,147</b>
<b>Increase (Decrease) in Net Assets</b>	<b>842,070</b>	<b>408,024</b>	<b>(20,286)</b>	<b>(490,186)</b>	<b>821,784</b>	<b>(82,162)</b>
Net Assets Beginning of Year	28,660,021	28,251,997	10,611,074	11,101,260	39,271,095	39,353,257
<b>Net Assets End of Year</b>	<b>\$29,502,091</b>	<b>\$28,660,021</b>	<b>\$10,590,788</b>	<b>\$10,611,074</b>	<b>\$40,092,879</b>	<b>\$39,271,095</b>

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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***Governmental Activities***

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.7 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 45 and 30 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 24 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

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

Security of persons and property is another major activity of the City, generating 35% of the governmental expenses. During 2007, expenses for police and fire operations amounted to \$3,010,509 and \$3,160,582, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

Street activities of the City accounted for 15% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2007 amounted to \$2,653,434.

***Business-Type Activities***

The City's business-type activities consist of the sewer and water departments. During 2007, the City collected \$401,152 more in charges for services over the previous year but spent \$42,808 more. Nonetheless, the City continues to experience decreases in their net assets.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,044,177 and expenditures of \$17,221,129.

The fund balance of the General Fund increased \$1,210,467. The General Fund's Unreserved Fund Balance of \$2,769,617 represented 30% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund increased \$189,091. The Street Fund's Unreserved Fund Balance of \$1,750,562 represented 95% of current year expenditures.

The fund balance of the Community Development Fund increased \$41,652. The Community Development Fund had a deficit unreserved fund balance of \$43,991 at year end. This fund accounts for federal grant monies under the Community Development Block Grant program for projects to improve the community within the City.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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The fund balance of the Capital Improvement Fund increased \$99,840. The Fund has an unreserved fund balance of \$1,216,417.

The fund balance of the State Route 7 TIF Fund increased \$355,796. The Fund has an unreserved fund balance of \$636,249.

During 2007, the Sewer Fund had operating revenues of \$2,522,992 and operating expenses of \$2,239,284. The Water Fund had operating revenues of \$2,793,916 and operating expenses of \$2,838,862. The major expenses for these funds are salaries and wages and depreciation on capital assets.

***General Fund Budgeting Highlights***

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

During the course of 2007, the City amended its General Fund budget several times. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely, looking for possible revenue shortfalls or over spending by individual departments.

Original budgeted revenues were increased \$915,319; amendments were made in the income taxes, charges for services, intergovernmental, and other revenue accounts. Actual revenues at year end were \$1,127,736 higher than the final budgeted amounts. Actual expenditures for the year were closer to the original budgeted amounts than the final budgeted amounts by \$165,620. The original budgeted amounts were increased \$1,328,584.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

Table 3 shows year 2007 balances compared to 2006.

(Table 3)  
 Capital Assets at December 31, 2007

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$1,033,884	\$1,033,884	\$447,100	\$447,100	\$1,480,984	\$1,480,984
Buildings and Improvements	5,330,162	5,437,761	156,547	163,020	5,486,709	5,600,781
Machinery and Equipment	899,723	998,557	621,122	636,764	1,520,845	1,635,321
Vehicles	731,416	765,975	97,051	144,592	828,467	910,567
Infrastructure	9,012,531	9,930,322	11,696,910	12,030,223	20,709,441	21,960,545
Construction in Progress	2,994,824	1,841,808	122,877	41,403	3,117,701	1,883,211
Totals	<u>\$20,002,540</u>	<u>\$20,008,307</u>	<u>\$13,141,607</u>	<u>\$13,463,102</u>	<u>\$33,144,147</u>	<u>\$33,471,409</u>

The City's capital assets for governmental and business-type activities as of December 31, 2007, were \$33,144,147 (net of accumulated depreciation). This includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

For governmental activities, capital asset additions during 2007 included \$1,484,755 for construction in progress, \$136,460 for building improvements, \$135,386 on machinery and equipment, \$57,522 for police two vehicles, \$16,617 for a recreational vehicle, \$101,734 for a rescue squad and \$331,739 for infrastructure.

For business-type activities, major capital asset additions during 2007 included \$627,312 for construction in progress, \$122,672 for machinery and equipment, and \$733,462 for infrastructure improvements.

Note 10 (Capital Assets) provides capital asset activity during 2007.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

**Debt**

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

(Table 4)  
 Outstanding Debt, at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
2000 Parking Lot Bonds	\$145,500	\$153,000	\$0	\$0
1999 Third Street Paving OPWC Loan	119,781	136,872	0	0
2007 Capital Facilities				
Bond Anticipation Note:				
Short-term	242,000	0	0	0
Long-term	1,208,000	0	0	0
2007 Bond Anticipation Note:				
Short-term	0	0	15,000	0
Long-term	0	0	415,000	0
1999 Sewer Refunding Bonds	0	0	0	148,489
2003 Water Refunding Bonds	0	0	4,231,865	4,465,336
2007 Sewer OWDA Loan	0	0	51,997	0
2002 Sewer OWDA Loan	0	0	383,682	401,432
1996 Water OPWC Loan	0	0	200,000	220,000
2004 Water OPWC Loan	0	0	429,857	450,188
2000 Sewer OPWC Loan	0	0	341,421	362,359
Totals	<u>\$1,715,281</u>	<u>\$289,872</u>	<u>\$6,068,822</u>	<u>\$6,047,804</u>

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5% of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2007, is \$23,832,088.

Additional information on the City's debt can be found in Notes 16 and 17 of this report.

**Current Financial Issues**

The City of Marietta began 2007 with dire predictions for the General Fund and as such belt tightening was instituted. During labor negotiations a new health insurance provider was sourced through one of the bargaining units which turned back the clock about four years on health insurance costs for the city.

A performance audit of the city's General Fund with a financial forecast was performed in 2007 by the Auditor of State's Office which forecast deficit spending by the General Fund in the coming years. Further forecasts performed by the City's financial officials show deficit spending a year or two later than previously anticipated.

**City of Marietta, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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The City was found to be deficient in providing suitable accommodations to the Marietta Municipal Court in a Mandamus suit decided by the Fourth District Court of Appeals. Upon appeal the Supreme Court of Ohio ordered the parties to submit to mediation in an effort to resolve the issues. As a result of this lawsuit, the City was ordered to pay reasonable attorney fees to the attorney that worked on behalf of the citizen that was the Plaintiff in this cause of action. The City continues to seek and explore suitable facilities, either through renovations or new construction, in order to be compliant.

**Contacting the City Auditor's Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Locke, Marietta City Auditor, 308 Putnam Street, Marietta, Ohio 45750, 740-373-0473.



**City of Marietta, Ohio**  
*Statement of Net Assets*  
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,734,821	\$2,697,570	\$11,432,391
Cash and Cash Equivalents in Segregated Accounts	54,893	203,210	258,103
Cash and Cash Equivalents with Fiscal Agents	0	40,580	40,580
Investments	835,812	100,000	935,812
Hotel Taxes Receivable	15,070	0	15,070
Permissive Motor Vehicle License Receivable	2,664	0	2,664
Accounts Receivable	122,693	1,050,996	1,173,689
Payments in Lieu of Taxes Receivable	1,420,455	0	1,420,455
Accrued Interest Receivable	7,309	0	7,309
Due from Other Governments	2,210,475	0	2,210,475
Municipal Income Tax Receivable	1,025,682	0	1,025,682
Special Assessments Receivable	11,244	0	11,244
Loans Receivable	65,883	0	65,883
Materials and Supplies Inventory	32,948	96,437	129,385
Prepaid Items	109,496	69,323	178,819
Property Taxes Receivable	568,010	0	568,010
Deferred Charges	0	133,116	133,116
Non-Depreciable Capital Assets	4,028,708	569,977	4,598,685
Depreciable Capital Assets, Net	15,973,832	12,571,630	28,545,462
<i>Total Assets</i>	<u>35,219,995</u>	<u>17,532,839</u>	<u>52,752,834</u>
<b>Liabilities</b>			
Accounts Payable	94,782	94,403	189,185
Contracts Payable	761,433	57,351	818,784
Accrued Wages Payable	136,567	29,919	166,486
Accrued Interest Payable	40,014	28,936	68,950
Due to Other Governments	1,099,958	94,254	1,194,212
Vacation and Compensatory Benefits Payable	615,758	156,152	771,910
Deferred Revenue	550,222	0	550,222
Customer Deposits Payable	0	177,978	177,978
Notes Payable	242,000	15,000	257,000
Long-Term Liabilities:			
Due Within One Year	18,557	295,080	313,637
Due In More Than One Year	2,158,613	5,992,978	8,151,591
<i>Total Liabilities</i>	<u>5,717,904</u>	<u>6,942,051</u>	<u>12,659,955</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	18,705,712	7,205,901	25,911,613
Restricted for:			
Street	2,018,121	0	2,018,121
Cemetery	12,874	0	12,874
Community Development	828,694	0	828,694
Parking	9,470	0	9,470
Fire Operations	44,131	0	44,131
Police Operations	122,382	0	122,382
Court Operations	304,383	0	304,383
Recreation	710,547	0	710,547
Health	95,763	0	95,763
Other Purposes	25,851	0	25,851
Debt Service	0	25,423	25,423
Capital Projects	4,019,307	0	4,019,307
Perpetual Care:			
Expendable	2,655	0	2,655
Non-expendable	418,723	0	418,723
Park - Non-expendable	1,000	0	1,000
Unclaimed Monies	23,666	0	23,666
Unrestricted	2,158,812	3,359,464	5,518,276
<i>Total Net Assets</i>	<u>\$29,502,091</u>	<u>\$10,590,788</u>	<u>\$40,092,879</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$3,515,803	\$177,601	\$59,602	\$9,203
Court	1,013,344	827,845	200,480	0
Security of Persons and Property:				
Police	3,010,509	20,205	48,564	0
Fire	3,160,582	434,433	782	0
Public Health Services	861,847	292,536	69,845	0
Community Environment	589,387	0	672,229	0
Intergovernmental	1,914,575	0	2,098,856	0
Street	2,653,434	30,812	903,603	221,568
Transportation	27,274	24,340	0	0
Leisure Time Activities	627,009	399,267	500	20,715
Interest and Fiscal Charges	50,713	0	0	0
<i>Total Governmental Activities</i>	17,424,477	2,207,039	4,054,461	251,486
<b>Business-Type Activities</b>				
Sewer	2,284,016	2,444,575	0	0
Water	3,063,677	2,750,677	0	0
<i>Total Business-Type Activities</i>	5,347,693	5,195,252	0	0
<i>Total</i>	\$22,772,170	\$7,402,291	\$4,054,461	\$251,486

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Income Taxes Levied for:

General Purposes

Street

Fire Operations

Capital Outlay

Hotel Tax

Franchise Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Gain on Disposal of Capital Assets

Other

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - Restated (See Note 4)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,269,397)	\$0	(\$3,269,397)
14,981	0	14,981
(2,941,740)	0	(2,941,740)
(2,725,367)	0	(2,725,367)
(499,466)	0	(499,466)
82,842	0	82,842
184,281	0	184,281
(1,497,451)	0	(1,497,451)
(2,934)	0	(2,934)
(206,527)	0	(206,527)
(50,713)	0	(50,713)
(10,911,491)	0	(10,911,491)
0	160,559	160,559
0	(313,000)	(313,000)
0	(152,441)	(152,441)
(10,911,491)	(152,441)	(11,063,932)
541,228	0	541,228
16,266	0	16,266
5,927,186	0	5,927,186
896,364	0	896,364
896,364	0	896,364
448,181	0	448,181
248,297	0	248,297
201,489	0	201,489
1,216,309	0	1,216,309
505,655	10,499	516,154
8,841	0	8,841
847,381	121,656	969,037
11,753,561	132,155	11,885,716
842,070	(20,286)	821,784
28,660,021	10,611,074	39,271,095
<u>\$29,502,091</u>	<u>\$10,590,788</u>	<u>\$40,092,879</u>

**City of Marietta, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2007*

	<u>General</u>	<u>Street</u>	<u>Community Development</u>	<u>Capital Improvement</u>	<u>State Route 7 TIF</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Equity in Pooled Cash and							
Cash Equivalents	\$2,666,894	\$2,095,566	\$90,977	\$1,482,722	\$897,834	\$1,477,162	\$8,711,155
Cash and Cash Equivalents in							
Segregated Accounts	36,194	0	0	0	0	18,699	54,893
Restricted Cash	23,666	0	0	0	0	0	23,666
Investments	0	0	0	0	0	835,812	835,812
Receivables:							
Hotel Taxes	15,070	0	0	0	0	0	15,070
Permissive Motor Vehicle License	0	2,664	0	0	0	0	2,664
Accounts	100,507	14,731	5,135	0	0	2,320	122,693
Payments in Lieu of Taxes	0	0	0	0	1,420,455	0	1,420,455
Accrued Interest	3,577	647	0	0	0	3,085	7,309
Interfund	6,890	0	0	0	0	2,024	8,914
Municipal Income Tax	745,037	112,258	0	56,129	0	112,258	1,025,682
Special Assessments	0	11,244	0	0	0	0	11,244
Loans	0	0	0	0	0	65,883	65,883
Property Taxes	551,672	0	0	0	0	16,338	568,010
Due from Other Governments	611,143	508,907	940,710	0	0	149,715	2,210,475
Materials and Supplies Inventory	15,059	17,889	0	0	0	0	32,948
Prepaid Items	83,782	9,701	653	0	0	15,360	109,496
<b>Total Assets</b>	<u>\$4,859,491</u>	<u>\$2,773,607</u>	<u>\$1,037,475</u>	<u>\$1,538,851</u>	<u>\$2,318,289</u>	<u>\$2,698,656</u>	<u>\$15,226,369</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	\$69,888	\$11,330	\$0	\$0	\$0	\$13,564	\$94,782
Contracts Payable	11,350	617,843	129,387	0	2,853	0	761,433
Accrued Wages Payable	102,849	8,775	320	0	0	24,623	136,567
Accrued Interest Payable	0	0	0	0	6,564	0	6,564
Due to Other Governments	826,713	28,382	145,007	0	0	99,856	1,099,958
Deferred Revenue	947,728	258,239	666,697	5,499	1,420,455	117,606	3,416,224
Interfund Payable	1,322	0	0	0	0	7,592	8,914
Notes Payable	0	0	0	0	242,000	0	242,000
<b>Total Liabilities</b>	<u>1,959,850</u>	<u>924,569</u>	<u>941,411</u>	<u>5,499</u>	<u>1,671,872</u>	<u>263,241</u>	<u>5,766,442</u>
<b>Fund Balances</b>							
Reserved for Encumbrances	106,358	98,476	140,055	316,935	10,168	23,072	695,064
Reserved for Loans	0	0	0	0	0	61,219	61,219
Reserved for Endowments	0	0	0	0	0	419,723	419,723
Reserved for Unclaimed Monies	23,666	0	0	0	0	0	23,666
Unreserved, Undesignated, Reported in:							
General Fund	2,769,617	0	0	0	0	0	2,769,617
Special Revenue Funds (Deficit)	0	1,750,562	(43,991)	0	0	1,344,861	3,051,432
Permanent Funds	0	0	0	0	0	2,655	2,655
Capital Projects Funds	0	0	0	1,216,417	636,249	583,885	2,436,551
<b>Total Fund Balances</b>	<u>2,899,641</u>	<u>1,849,038</u>	<u>96,064</u>	<u>1,533,352</u>	<u>646,417</u>	<u>2,435,415</u>	<u>9,459,927</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$4,859,491</u>	<u>\$2,773,607</u>	<u>\$1,037,475</u>	<u>\$1,538,851</u>	<u>\$2,318,289</u>	<u>\$2,698,656</u>	<u>\$15,226,369</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2007*

<b>Total Governmental Fund Balances</b>		\$9,459,927
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,002,540
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Investment Earnings	605	
Property Taxes	17,788	
Charges for Services	20,413	
Estate Taxes	55,522	
Municipal Income Tax	105,821	
Payments in Lieu of Taxes	1,420,455	
Miscellaneous Revenues	456	
Special Assessments	11,244	
Intergovernmental Revenues	<u>1,233,698</u>	
Total		2,866,002
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds Payable	(145,500)	
Accrued Interest Payable	(33,450)	
Loans Payable	(119,781)	
Notes Payable	(1,208,000)	
Compensated Absences Payable - Sick Leave	(703,889)	
Vacation and Compensatory Benefits Payable	<u>(615,758)</u>	
Total		<u>(2,826,378)</u>
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$29,502,091</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

	General	Street	Community Development	Capital Improvement	State Route 7 TIF	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$541,558	\$0	\$0	\$0	\$0	\$16,266	\$557,824
Hotel Tax	248,297	0	0	0	0	0	248,297
Permissive Motor Vehicle License	0	30,812	0	0	0	0	30,812
Municipal Income Tax	5,919,268	896,086	0	448,043	0	896,086	8,159,483
Payments in Lieu of Taxes	0	0	0	0	200,850	0	200,850
Charges for Services	674,551	0	0	0	0	565,500	1,240,051
Fines, Licenses and Permits	554,468	0	0	0	0	368,360	922,828
Franchise Tax	201,489	0	0	0	0	0	201,489
Intergovernmental	1,222,745	965,598	2,526,883	0	0	282,417	4,997,643
Special Assessments	0	2,959	0	0	0	0	2,959
Investment Earnings	467,416	80,711	0	0	11,006	45,429	604,562
Donations	9,703	0	0	0	0	884	10,587
Rent	8,129	0	0	0	0	7,200	15,329
Other	716,363	48,729	41,006	0	293	45,072	851,463
<i>Total Revenues</i>	<u>10,563,987</u>	<u>2,024,895</u>	<u>2,567,889</u>	<u>448,043</u>	<u>212,149</u>	<u>2,227,214</u>	<u>18,044,177</u>
<b>Expenditures</b>							
Current:							
General Government:							
Legislative and Executive	3,273,534	0	0	0	0	51,126	3,324,660
Court	690,377	0	0	0	0	267,014	957,391
Security of Persons and Property:							
Police	2,836,880	0	0	0	0	30,842	2,867,722
Fire	1,989,758	0	0	0	0	975,071	2,964,829
Public Health Services	391,358	0	0	0	0	453,782	845,140
Community Environment	0	0	611,662	0	0	5,607	617,269
Street	0	1,816,366	0	0	0	0	1,816,366
Transportation	0	0	0	0	0	30,326	30,326
Leisure Time Activities	0	0	0	0	0	422,296	422,296
Capital Outlay	0	0	0	348,203	1,057,789	11,990	1,417,982
Intergovernmental	0	0	1,914,575	0	0	0	1,914,575
Debt Service:							
Principal Retirement	0	17,091	0	0	0	7,500	24,591
Interest and Fiscal Charges	0	2,652	0	0	6,564	8,766	17,982
<i>Total Expenditures</i>	<u>9,181,907</u>	<u>1,836,109</u>	<u>2,526,237</u>	<u>348,203</u>	<u>1,064,353</u>	<u>2,264,320</u>	<u>17,221,129</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,382,080</u>	<u>188,786</u>	<u>41,652</u>	<u>99,840</u>	<u>(852,204)</u>	<u>(37,106)</u>	<u>823,048</u>
<b>Other Financing Sources (Uses)</b>							
Proceeds from Sale of Capital Assets	10,722	305	0	0	0	322	11,349
Proceeds from Sale of Bond Anticipation Notes	0	0	0	0	1,208,000	0	1,208,000
Transfers In	8,546	0	0	0	0	190,881	199,427
Transfers Out	(190,881)	0	0	0	0	(8,546)	(199,427)
<i>Total Other Financing Sources (Uses)</i>	<u>(171,613)</u>	<u>305</u>	<u>0</u>	<u>0</u>	<u>1,208,000</u>	<u>182,657</u>	<u>1,219,349</u>
<i>Net Change in Fund Balances</i>	<u>1,210,467</u>	<u>189,091</u>	<u>41,652</u>	<u>99,840</u>	<u>355,796</u>	<u>145,551</u>	<u>2,042,397</u>
<i>Fund Balances Beginning of Year - Restated (See Note 4)</i>	<u>1,689,174</u>	<u>1,659,947</u>	<u>54,412</u>	<u>1,433,512</u>	<u>290,621</u>	<u>2,289,864</u>	<u>7,417,530</u>
<i>Fund Balances End of Year</i>	<u>\$2,899,641</u>	<u>\$1,849,038</u>	<u>\$96,064</u>	<u>\$1,533,352</u>	<u>\$646,417</u>	<u>\$2,435,415</u>	<u>\$9,459,927</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2007*

**Net Change in Fund Balances - Total Governmental Funds** \$2,042,397

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	1,912,786	
Capital Contributions	19,688	
Depreciation	<u>(1,935,733)</u>	
Excess of Depreciation Expense Over Capital Outlay		(3,259)

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

(2,508)

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

Investment Earnings	538	
Property Taxes	(330)	
Municipal Income Tax	8,612	
Payments in Lieu of Taxes	(205,388)	
Special Assessments	(2,959)	
Intergovernmental Revenues	11,106	
Estate Taxes	28,127	
Miscellaneous Revenues	456	
Grants	285,331	
State Shared Revenues	70,329	
Charges for Services	<u>(1,981)</u>	
Total		193,841

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

(32,731)

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities.

(1,208,000)

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

Bonds	7,500	
Loans	<u>17,091</u>	
Total		24,591

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

Vacation and Compensatory Benefits Payable	(37,550)	
Compensated Absences Payable - Sick Leave	<u>(134,711)</u>	
Total		<u>(172,261)</u>

***Change in Net Assets of Governmental Activities*** \$842,070

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>Revenues</b>				
Property Taxes	\$580,900	\$580,900	\$541,558	(\$39,342)
Hotel Tax	240,000	240,000	247,310	7,310
Municipal Income Tax	5,414,647	5,419,747	5,925,122	505,375
Payments in Lieu of Taxes	53,000	53,000	0	(53,000)
Charges for Services	732,450	692,450	665,227	(27,223)
Fines, Licenses and Permits	472,800	472,800	557,388	84,588
Franchise Tax	167,000	167,000	190,052	23,052
Intergovernmental	606,026	706,026	1,159,564	453,538
Investment Earnings	275,000	275,000	458,407	183,407
Donations	0	0	500	500
Rent	6,200	6,200	8,129	1,929
Other	54,000	904,219	891,821	(12,398)
<i>Total Revenues</i>	<u>8,602,023</u>	<u>9,517,342</u>	<u>10,645,078</u>	<u>1,127,736</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,254,808	4,141,188	3,292,215	848,973
Court	626,470	705,470	686,935	18,535
Security of Persons and Property:				
Police	2,851,853	3,069,772	2,887,878	181,894
Fire	1,916,158	2,044,589	1,987,379	57,210
Public Health Services	431,505	448,359	392,007	56,352
<i>Total Expenditures</i>	<u>9,080,794</u>	<u>10,409,378</u>	<u>9,246,414</u>	<u>1,162,964</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(478,771)</u>	<u>(892,036)</u>	<u>1,398,664</u>	<u>2,290,700</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	10,722	10,722
Transfers In	0	0	8,546	8,546
Transfers Out	(254,171)	(272,434)	(190,881)	81,553
<i>Total Other Financing Sources (Uses)</i>	<u>(254,171)</u>	<u>(272,434)</u>	<u>(171,613)</u>	<u>100,821</u>
<i>Net Change in Fund Balance</i>	(732,942)	(1,164,470)	1,227,051	2,391,521
<i>Fund Balance Beginning of Year</i>	1,176,073	1,176,073	1,176,073	0
Prior Year Encumbrances Appropriated	83,413	83,413	83,413	0
<i>Fund Balance End of Year</i>	<u>\$526,544</u>	<u>\$95,016</u>	<u>\$2,486,537</u>	<u>\$2,391,521</u>

See accompanying notes to the basic financial statements



**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Permissive Motor Vehicle License Tax	\$0	\$0	\$28,966	\$28,966
Municipal Income Tax	842,941	842,941	900,542	57,601
Intergovernmental	772,000	772,000	1,086,868	314,868
Special Assessments	6,744	6,744	2,959	(3,785)
Investment Earnings	53,500	53,500	79,721	26,221
Other	11,718	29,123	33,998	4,875
<i>Total Revenues</i>	<u>1,686,903</u>	<u>1,704,308</u>	<u>2,133,054</u>	<u>428,746</u>
<b>Expenditures</b>				
Current:				
Street	<u>2,096,317</u>	<u>2,314,032</u>	<u>2,261,616</u>	<u>52,416</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(409,414)</u>	<u>(609,724)</u>	<u>(128,562)</u>	<u>481,162</u>
<b>Other Financing Source</b>				
Sale of Capital Asset	<u>0</u>	<u>0</u>	<u>305</u>	<u>305</u>
<i>Net Change in Fund Balance</i>	<u>(409,414)</u>	<u>(609,724)</u>	<u>(128,257)</u>	<u>481,467</u>
<i>Fund Balance Beginning of Year</i>	1,500,726	1,500,726	1,500,726	0
Prior Year Encumbrances Appropriated	<u>140,594</u>	<u>140,594</u>	<u>140,594</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,231,906</u>	<u>\$1,031,596</u>	<u>\$1,513,063</u>	<u>\$481,467</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Community Development Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Intergovernmental	\$2,636,499	\$2,691,789	\$2,433,550	(\$258,239)
Other	0	14,717	35,871	21,154
<i>Total Revenues</i>	<u>2,636,499</u>	<u>2,706,506</u>	<u>2,469,421</u>	<u>(237,085)</u>
<b>Expenditures</b>				
Current:				
Community Environment	1,181,101	1,242,511	725,938	516,573
Intergovernmental	1,500,000	1,500,000	1,923,264	(423,264)
<i>Total Expenditures</i>	<u>2,681,101</u>	<u>2,742,511</u>	<u>2,649,202</u>	<u>93,309</u>
<i>Net Change in Fund Balance</i>	(44,602)	(36,005)	(179,781)	(143,776)
<i>Fund Balance (Deficit) Beginning of Year</i>	(10,835)	(10,835)	(10,835)	0
Prior Year Encumbrances Appropriated	44,602	44,602	44,602	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$10,835)</u>	<u>(\$2,238)</u>	<u>(\$146,014)</u>	<u>(\$143,776)</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Fund Net Assets*  
*Enterprise Funds*  
*December 31, 2007*

	Sewer	Water	Total Enterprise Funds
<b>Assets</b>			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$1,961,109	\$659,953	\$2,621,062
Cash and Cash Equivalents in Segregated Accounts	84,120	117,620	201,740
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	526,701	524,295	1,050,996
Materials and Supplies Inventory	14,757	81,680	96,437
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agents	0	40,170	40,170
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	37,489	39,019	76,508
Cash and Cash Equivalents in Segregated Accounts	720	750	1,470
Investments	49,000	51,000	100,000
Prepaid Items	30,698	38,625	69,323
<i>Total Current Assets</i>	<u>2,704,594</u>	<u>1,553,522</u>	<u>4,258,116</u>
Noncurrent:			
Deferred Charges	0	133,116	133,116
Non-Depreciable Capital Assets	153,053	416,924	569,977
Depreciable Capital Assets, Net	6,975,227	5,596,403	12,571,630
<i>Total Noncurrent Assets</i>	<u>7,128,280</u>	<u>6,146,443</u>	<u>13,274,723</u>
<i>Total Assets</i>	<u>9,832,874</u>	<u>7,699,965</u>	<u>17,532,839</u>
<b>Liabilities</b>			
Current:			
Accounts Payable	46,745	47,658	94,403
Contracts Payable	57,351	0	57,351
Accrued Wages	13,530	16,389	29,919
Due to Other Governments	44,950	49,304	94,254
Vacation and Compensatory Benefits Payable	63,053	93,099	156,152
Accrued Interest Payable	90	28,846	28,936
Notes Payable	0	15,000	15,000
Refunding Bonds Payable	0	255,000	255,000
Issue II Loans Payable	10,627	20,318	30,945
OWDA Loans Payable	9,135	0	9,135
<i>Total Current Liabilities</i>	<u>245,481</u>	<u>525,614</u>	<u>771,095</u>
Long-Term:			
Customer Deposits Payable from			
Restricted Assets	87,209	90,769	177,978
Compensated Absences Payable	49,457	184,779	234,236
Notes Payable	0	415,000	415,000
Refunding Bonds Payable	0	3,976,865	3,976,865
Issue II Loans Payable	330,794	609,539	940,333
OWDA Loans Payable	426,544	0	426,544
<i>Total Long-Term Liabilities</i>	<u>894,004</u>	<u>5,276,952</u>	<u>6,170,956</u>
<i>Total Liabilities</i>	<u>1,139,485</u>	<u>5,802,566</u>	<u>6,942,051</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	6,351,180	854,721	7,205,901
Restricted for Debt Service	0	25,423	25,423
Unrestricted	2,342,209	1,017,255	3,359,464
<i>Total Net Assets</i>	<u>\$8,693,389</u>	<u>\$1,897,399</u>	<u>\$10,590,788</u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Enterprise Funds  
For the Year Ended December 31, 2007*

	Sewer	Water	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for Services	\$2,444,575	\$2,750,677	\$5,195,252
Other Operating Revenues	78,417	43,239	121,656
<i>Total Operating Revenues</i>	<u>2,522,992</u>	<u>2,793,916</u>	<u>5,316,908</u>
<b>Operating Expenses</b>			
Salaries and Wages	739,384	863,107	1,602,491
Fringe Benefits	377,426	450,310	827,736
Contractual Services	382,878	438,580	821,458
Materials and Supplies	190,153	331,313	521,466
Other Operating Expenses	24,878	21,014	45,892
Depreciation	524,565	734,538	1,259,103
<i>Total Operating Expenses</i>	<u>2,239,284</u>	<u>2,838,862</u>	<u>5,078,146</u>
<i>Operating Income (Loss)</i>	<u>283,708</u>	<u>(44,946)</u>	<u>238,762</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	0	10,499	10,499
Interest and Fiscal Charges	(44,732)	(224,815)	(269,547)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(44,732)</u>	<u>(214,316)</u>	<u>(259,048)</u>
<i>Change in Net Assets</i>	238,976	(259,262)	(20,286)
<i>Net Assets Beginning of Year</i>	<u>8,454,413</u>	<u>2,156,661</u>	<u>10,611,074</u>
<i>Net Assets End of Year</i>	<u><u>\$8,693,389</u></u>	<u><u>\$1,897,399</u></u>	<u><u>\$10,590,788</u></u>

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2007

	Sewer	Water	Total Enterprise Funds
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$2,398,968	\$2,726,366	\$5,125,334
Cash Payments for Employee Services and Benefits	(1,152,076)	(1,272,788)	(2,424,864)
Cash Payments to Suppliers for Goods and Services	(528,168)	(743,964)	(1,272,132)
Other Operating Revenues	78,417	43,239	121,656
Other Operating Expenses	(27,230)	(24,784)	(52,014)
Customer Deposits Received	18,641	19,402	38,043
Customer Deposits Returned	(17,000)	(17,694)	(34,694)
<i>Net Cash Provided by Operating Activities</i>	<u>771,552</u>	<u>729,777</u>	<u>1,501,329</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(365,739)	(544,146)	(909,885)
Proceeds from Sale of Bond Anticipation Notes	0	430,000	430,000
Loan Proceeds	51,997	0	51,997
Principal Paid on Debt	(198,688)	(290,331)	(489,019)
Interest Paid on Debt	(28,988)	(184,416)	(213,404)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(541,418)</u>	<u>(588,893)</u>	<u>(1,130,311)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	0	10,499	10,499
<i>Net Cash Provided by Investing Activities</i>	<u>0</u>	<u>10,499</u>	<u>10,499</u>
<i>Net Increase in Cash and Cash Equivalents</i>	230,134	151,383	381,517
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,853,304</u>	<u>706,539</u>	<u>2,559,843</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,083,438</u>	<u>\$857,922</u>	<u>\$2,941,360</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
<i>Operating Income (Loss)</i>	\$283,708	(\$44,946)	\$238,762
Adjustments:			
Depreciation	524,565	734,538	1,259,103
(Increase)/Decrease in Assets:			
Accounts Receivable	(45,607)	(24,311)	(69,918)
Materials and Supplies Inventory	(3,597)	16,430	12,833
Prepaid Items	90	198	288
Increase/(Decrease) in Liabilities:			
Accounts Payable	11,235	5,226	16,461
Contracts Payable	34,098	0	34,098
Accrued Wages Payable	553	3,458	4,011
Interfund Payable for Cost Allocation	0	0	0
Due to Other Governments	(1,223)	6,217	4,994
Vacation and Compensatory Benefits Payable	(8,362)	10,472	2,110
Customer Deposits Payable	1,641	1,708	3,349
Compensated Absences Payable	(25,549)	20,787	(4,762)
<i>Net Cash Provided by Operating Activities</i>	<u>\$771,552</u>	<u>\$729,777</u>	<u>\$1,501,329</u>

**City of Marietta, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2007*

**Assets**

Cash and Cash Equivalents in Segregated Accounts	\$120,910
Hotel Taxes Receivable	15,070
Accounts Receivable	<u>557,508</u>

*Total Assets* \$693,488

**Liabilities**

Due to Other Governments	\$81,913
Due to Others	<u>611,575</u>

*Total Liabilities* \$693,488

See accompanying notes to the basic financial statements

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

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

**Report Entity**

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

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

The following have been excluded from the financial reporting entity:

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

**Capital Improvement Fund** To account for income tax revenues used for general capital improvements in the City.

**State Route 7 TIF** This fund is used to account for monies associated with the tax increment financing and bond anticipation notes for the construction of the State Route 7 Improvement Project.

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

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

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met also have been recorded as deferred revenue.

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

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

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

**E. Budget Process**

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

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

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**F. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool, except for the investments of the customer deposits and the Gutberlet and Cemetery Trust Funds which 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 Pooled Cash and Cash Equivalents" in the financial statements.

During 2007, investments were limited to certificates of deposit, which are reported at cost.

Following the Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the General Fund, the Street and Gutberlet Armory Special Revenue Funds, and the Cemetery Trust Permanent Fund. Interest revenue credited to the General Fund during 2007 amounted to \$467,416, which includes \$385,593 assigned from other City funds.

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

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

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

**G. Restricted Assets**

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

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

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

**H. Inventory**

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**J. Capital Assets**

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

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

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

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

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

**K. Compensated Absences**

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$8,637,567 of restricted net assets, of which none are restricted by enabling legislation, for governmental activities.

Net assets restricted for other purposes include activities related to the Law Director's office.

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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

Q. Interfund Assets and Liabilities

On the fund financial statements, outstanding interfund loans and unpaid amounts for internal services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets.

R. Bond Discount/Issuance Costs

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

S. Gain/Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, which is the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

T. Estimates

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	\$1,210,467	\$189,091	\$41,652
Net Adjustment for Revenue Accruals	101,955	109,062	(98,468)
Beginning of Year:			
Unrecorded Cash	26,987	0	0
Unrecorded Interest	24,103	5,299	0
Prepaid Items	83,069	9,897	650
Segregated Accounts	39,103	0	0
End of Year:			
Unrecorded Cash	(43,131)	0	0
Unrecorded Interest	(31,732)	(6,202)	0
Prepaid Items	(83,782)	(9,701)	(653)
Segregated Accounts	(36,194)	0	0
Net Adjustment for Expenditure Accruals	65,366	150,598	114,029
Encumbrances	(129,160)	(576,301)	(236,991)
Budget Basis	<u>\$1,227,051</u>	<u>(\$128,257)</u>	<u>(\$179,781)</u>



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR BALANCES**

A. Changes in Accounting Principles

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”; GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”; and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$16,059 and \$62,121, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Restatement of Prior Year Balances

During 2007, the City determined that payables and receivables related to the City’s TIF agreement were misstated. These adjustments had the following effects on changes in net assets/fund balance as previously reported for the year ended December 31, 2006:

	Governmental Activities	General Fund
Changes as Previously Reported	\$624,501	\$945,609
Due to Other Governments	(11,090)	(11,090)
Payments in Lieu of Taxes Receivable	(205,387)	0
Restated Changes for the Year		
Ended December 31, 2006	\$408,024	\$934,519

The adjustments referred to above had the following effects on net assets/fund balance as previously reported at December 31, 2006:

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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	Governmental Activities	General Fund
Net Assets/Fund Balance as Previously Reported	\$27,650,381	\$2,099,989
Due to Other Governments	(410,815)	(410,815)
Payments in Lieu of Taxes Receivable	1,420,455	0
Net Assets/Fund Balance - December 31, 2006	\$28,660,021	\$1,689,174

**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

The Marietta Harbor Capital Projects Fund has a deficit fund balance of \$6,152 as of December 31, 2007. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficit will be eliminated.

B. Statutory Compliance

The following fund had original appropriations in excess of original estimated revenues plus available balances for the year ended December 31, 2007:

	Estimated Revenues plus Balances	Appropriations plus Encumbrances	Excess
Community Development Special Revenue Fund	\$2,670,266	\$2,681,101	(\$10,835)

The following fund had final appropriations in excess of final estimated revenues plus available balances for the year ended December 31, 2007:

	Estimated Revenues plus Balances	Appropriations plus Encumbrances	Excess
Community Development Special Revenue Fund	\$2,740,273	\$2,742,511	(\$2,238)

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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The following accounts had expenditures in excess of final appropriations for the year ended December 31, 2007:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Street Fund			
Street Program			
Capital Outlay	\$589,838	\$842,199	(\$252,361)
Community Development Fund			
Intergovernmental Program			
Housing Voucher Project	1,500,000	1,923,264	(423,264)

The City will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

**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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$12,787,796 and the bank balance was \$12,956,744. Of the bank balance, \$938,995 was covered by Federal depository insurance and \$12,017,749 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2007, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$226,694,200
Public Utility Property	4,784,390
Tangible Personal Property	11,829,690
	<u>\$243,308,280</u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Marietta. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services including unbilled utility services and third party billings), payments in lieu of taxes, special assessments, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$65,883. This amount is for the principal owed to the City for Federal Community Development Block Grant Program monies loaned to individuals for the demolition of condemned buildings and home improvements. The loans bear interest at annual rates of zero to three percent. The loans are to be repaid over periods ranging from two to fifteen years. The amount not scheduled for collection during the subsequent year is \$61,219.

As provided by State law, the City entered into Tax Increment Financing Agreements in 2003 with Wal-Mart Stores, Inc. and Lowes Home Improvement Center, Inc. for the purpose of expanding their stores and constructing several other retail and commercial centers. To encourage these improvements, the companies were granted an exemption from paying 75% of their property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance a public access road and road widening to these stores and will continue for ten years. A receivable has been recorded in the amount of \$1,420,455, which represents amounts to be received by the City until the end of the agreement.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<u>Amount</u>
Community Development Block Grant	\$408,778
Gasoline Tax and Motor Vehicle License	365,579
Comprehensive Housing Improvement Program	340,751
Local Government	303,147
Estate Taxes	222,090
Ohio Department of Transportation	141,156
Housing Urban Development	139,774
Community Corrections Grant	75,549
River Trail Grant	51,407
Tax Reimbursements	29,628
Homestead and Rollback	29,380
Resource Grant	21,296
Victims Information Program	20,477
Medicare	17,685
Drug Awareness Reduction Education Grant	8,921
Drug Court Grant	8,750
Stop Violence Against Women Grant	6,825
Indigent Alcohol	6,019
Police Training Grant	4,800
Health Subsidy	4,402
Highway Safety Grant	2,172
Other	1,200
Children with Medical Handicaps Reimbursements	410
Health Check-ups	279
Total Governmental Activities	<u><u>\$2,210,475</u></u>

**NOTE 9 - INCOME TAX**

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds were distributed to funds in the following manner: 73% to the General Fund, 11% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, and 5% to the Capital Improvement Capital Projects Fund.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance 12/31/06	Increases	Decreases	Balance 12/31/07
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$1,033,884	\$0	\$0	\$1,033,884
Construction in Progress	1,841,808	1,484,755	331,739	2,994,824
Total Capital Assets not being Depreciated	<u>2,875,692</u>	<u>1,484,755</u>	<u>331,739</u>	<u>4,028,708</u>
Capital Assets being Depreciated:				
Buildings and Improvements	8,306,671	136,460	0	8,443,131
Machinery and Equipment	4,096,549	135,386	2,285	4,229,650
Vehicles	3,084,145	175,873	91,567	3,168,451
Infrastructure	28,182,621	331,739	0	28,514,360
Total Capital Assets being Depreciated	<u>43,669,986</u>	<u>779,458</u>	<u>93,852</u>	<u>44,355,592</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,868,910)	(244,059)	0	(3,112,969)
Machinery and Equipment	(3,097,992)	(233,420)	(1,485)	(3,329,927)
Vehicles	(2,318,170)	(208,724)	(89,859)	(2,437,035)
Infrastructure	(18,252,299)	(1,249,530)	0	(19,501,829)
Total Accumulated Depreciation	<u>(26,537,371)</u>	<u>(1,935,733) *</u>	<u>(91,344)</u>	<u>(28,381,760)</u>
Total Capital Assets being Depreciated, Net	<u>17,132,615</u>	<u>(1,156,275)</u>	<u>2,508</u>	<u>15,973,832</u>
Governmental Activities Capital Assets, Net	<u>\$20,008,307</u>	<u>\$328,480</u>	<u>\$334,247</u>	<u>\$20,002,540</u>

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

General Government - Legislative and Executive	\$155,376
General Government - Court	43,867
Security of Persons and Property:	
Police	78,875
Fire	141,547
Public Health Services	18,749
Community Environment	3,774
Street	1,297,075
Parking	51
Leisure Time Activities	196,419
Total Depreciation Expense	<u>\$1,935,733</u>



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2007

	Balance 12/31/06	Increases	Decreases	Balance 12/31/07
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$447,100	\$0	\$0	\$447,100
Construction in Progress	41,403	627,312	545,838	122,877
Total Capital Assets not being Depreciated	<u>488,503</u>	<u>627,312</u>	<u>545,838</u>	<u>569,977</u>
Capital Assets being Depreciated:				
Buildings and Improvements	306,893	0	0	306,893
Machinery and Equipment	1,908,637	122,672	0	2,031,309
Vehicles	698,204	0	0	698,204
Infrastructure	54,725,681	733,462	0	55,459,143
Total Capital Assets being Depreciated	<u>57,639,415</u>	<u>856,134</u>	<u>0</u>	<u>58,495,549</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(143,873)	(6,473)	0	(150,346)
Machinery and Equipment	(1,271,873)	(138,314)	0	(1,410,187)
Vehicles	(553,612)	(47,541)	0	(601,153)
Infrastructure	(42,695,458)	(1,066,775)	0	(43,762,233)
Total Accumulated Depreciation	<u>(44,664,816)</u>	<u>(1,259,103)</u>	<u>0</u>	<u>(45,923,919)</u>
Total Capital Assets being Depreciated, Net	<u>12,974,599</u>	<u>(402,969)</u>	<u>0</u>	<u>12,571,630</u>
Business-Type Activities Capital Assets, Net	<u>\$13,463,102</u>	<u>\$224,343</u>	<u>\$545,838</u>	<u>\$13,141,607</u>

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with Barengo Insurance Agency who, on behalf of the City, negotiates property and casualty insurance coverage with various carriers. St. Paul Fire and Marine Insurance is the carrier providing commercial general liability insurance, which has a \$2,000,000 per occurrence limit with an additional \$4,000,000 in umbrella liability coverage. CNA Insurance Companies is the carrier providing property, computer, crime, etc. coverage for the City with the following coverage limits and deductibles.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

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

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007, this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005, were \$426,893, \$427,985, and \$483,952, respectively; 85.39 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$10,113 made by the City and \$6,937 made by the plan members.

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$200,840 and \$322,895 for the year ended December 31, 2007, \$166,542 and \$378,993 for the year ended December 31, 2006, and \$199,376 and \$276,545 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 65.71 percent has been contributed for police and 62.72 percent has been contributed for firefighters for 2007.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005, were \$287,090, \$186,080, and \$202,702, respectively; 85.39 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$120,764 and \$139,536 for the year ended December 31, 2007, \$109,847 and \$140,200 for the year ended December 31, 2006, and \$131,503 and \$131,891 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 65.71 percent has been contributed for police and 62.72 percent has been contributed for firefighters for 2007.

**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.

B. Employee Health Benefits

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

The City provides comprehensive major medical and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis and are paid 100% by the City. Rates are \$167.90 per week per employee. Premiums are paid from the same funds that pay the employees' salaries.

C. Compensated Absences

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

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

**NOTE 15 - CONTRACTUAL COMMITMENTS**

As of December 31, 2007, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
<b><u>Capital Asset Projects:</u></b>			
<b><i>Putnam and 7th Street Signal:</i></b>			
Street Fund	\$11,185	\$7,688	\$3,497
<b><i>State Route 7 Access Road:</i></b>			
Street Fund	253,772	252,416	1,356
Access Road Fund	33,437	33,437	0
State Route 7 TIF Fund	1,210,025	1,199,857	10,168
Water Fund	21,518	21,518	0
	<u>1,518,752</u>	<u>1,507,228</u>	<u>11,524</u>
<b><i>Manchester Lift Station:</i></b>			
Sewer Fund	4,000	3,247	753
<b><i>Waste Water Treatment Plant Upgrade:</i></b>			
Sewer Fund	332,524	88,826	243,698
<b><i>Total Capital Asset Projects:</i></b>	<u>1,866,461</u>	<u>1,606,989</u>	<u>259,472</u>
<b><u>Non-Capital Asset Projects:</u></b>			
<b><i>State Route 60 Safety Study:</i></b>			
Street Fund	20,000	2,172	17,828
<b><i>Riverfront Trail Phase II</i></b>			
Community Development Fund	59,663	51,407	8,256
<b><i>Total Non-Capital Asset Projects:</i></b>	<u>79,663</u>	<u>53,579</u>	<u>26,084</u>
<b>Total All Projects</b>	<u><u>\$1,946,124</u></u>	<u><u>\$1,660,568</u></u>	<u><u>\$285,556</u></u>

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2007

**NOTE 16 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City for the year ended December 31, 2007, were as follows:

	Principal Outstanding 12/31/06	Additions	Deletions	Principal Outstanding 12/31/07	Amounts Due in One Year
<b>Governmental Activities:</b>					
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	\$153,000	\$0	\$7,500	\$145,500	\$8,000
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	136,872	0	17,091	119,781	8,674
2007 Capital Facilities Bond					
Anticipation Note @ 4.5%	0	1,208,000	0	1,208,000	0
Compensated Absences - Sick Leave	569,178	150,983	16,272	703,889	1,883
Total Governmental Activities	<u>\$859,050</u>	<u>\$1,358,983</u>	<u>\$40,863</u>	<u>\$2,177,170</u>	<u>\$18,557</u>
<b>Business-Type Activities:</b>					
<b><u>Bonds:</u></b>					
<b>Sewer Refunding Bonds</b>					
1999 - \$1,215,000 @ 3.2 - 4%	\$160,000	\$0	\$160,000	\$0	\$0
Deferred Amount on Refunding	(11,511)	0	(11,511)	0	0
Total Sewer Refunding Bonds	<u>148,489</u>	<u>0</u>	<u>148,489</u>	<u>0</u>	<u>0</u>
<b>Water Refunding Bonds</b>					
2003 - \$5,650,000 @ 2.0 - 4.3%	4,705,000	0	250,000	4,455,000	255,000
Bond Discount	(7,657)	0	(528)	(7,129)	0
Deferred Amount on Refunding	(232,007)	0	(16,001)	(216,006)	0
Total Water Refunding Bonds	<u>4,465,336</u>	<u>0</u>	<u>233,471</u>	<u>4,231,865</u>	<u>255,000</u>
Total Bonds	<u>4,613,825</u>	<u>0</u>	<u>381,960</u>	<u>4,231,865</u>	<u>255,000</u>
<b><u>Notes:</u></b>					
2007 Bond Anticipation Note @ 4.5%	0	415,000	0	415,000	0
<b><u>Loans:</u></b>					
<b>Sewer OWDA Loan</b>					
2007 - \$1,080,000 @ 3.2%	0	51,997	0	51,997	0
<b>Sewer OWDA Loan</b>					
2002 - \$458,437 @ 3.89%	401,432	0	17,750	383,682	9,135
<b>Water OPWC Loan</b>					
1996 - \$400,000 @ 0%	220,000	0	20,000	200,000	10,000
<b>Water Glendale Tank OPWC Loan</b>					
2004 - \$479,936 @ 2%	450,188	0	20,331	429,857	10,318
<b>Sewer OPWC Loan</b>					
2000 - \$461,023 @ 2%	362,359	0	20,938	341,421	10,627
Total Loans	<u>1,433,979</u>	<u>51,997</u>	<u>79,019</u>	<u>1,406,957</u>	<u>40,080</u>
Compensated Absences - Sick Leave	238,998	17,664	22,426	234,236	0
Total Business-Type Activities	<u>\$6,286,802</u>	<u>\$484,661</u>	<u>\$483,405</u>	<u>\$6,288,058</u>	<u>\$295,080</u>



**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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Compensated absences reported in the “compensated absences payable” account will be paid from the fund which the employees’ salaries are paid, which are the General Fund; the Community Development, Marietta Housing, Street, Parking, and Fire Levy Special Revenue Funds; and the Water and Sewer Enterprise Funds.

The parking lot bonds will be paid from general property tax revenues. The paving OPWC Loan was obtained to finance paving on Third Street in the City. The loan will be paid from intergovernmental revenue of the Street Special Revenue Fund.

The Capital Facilities Bond Anticipation Note was issued to finance the State Route 7 Access Road and widening project. The notes were refinanced in May 2008 (see Note 21). The notes will be repaid with TIF revenues as described in Note 8.

Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund, which are all general obligations, were obtained to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loan in the Sewer Enterprise Fund, also general obligation, was obtained to help finance the sludge belt press project. The 2007 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer treatment plant upgrade. Since the final draw on this loan has not been received, an amortization schedule has not been established. The 2002 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer grit removal project.

The City has pledged future sewer customer revenues to repay the two OWDA loans. The loans are payable solely from net revenues and are payable through 2023. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 5 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$566,514. Principal and interest payments for the current year were \$33,195, net revenues were \$808,273, and total revenues were \$2,522,992.

The Water Bond Anticipation Note was issued to finance the Cisler Drive Water Line project. The notes were refinanced in March 2008 (see Note 21).

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

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

The refunding resulted in an advance refunding of the 1996 water revenue bonds. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$288,008. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is amortized to interest expense through the year 2021 using the straight-line method. The amount amortized for 2007 is \$16,001.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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The City has pledged future water customer revenues to repay the water system revenue refunding bonds. The bonds are payable solely from net revenues and are payable through 2021. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds are expected to require less than 62 percent of net revenues in future years. The total principal and interest remaining to be paid on the bonds is \$5,895,819. Principal and interest payments for the current year were \$423,108, net revenues were \$689,592, and total revenues were \$2,793,916.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2007, are as follows:

Year	Parking Lot Bonds	
	Principal	Interest
2008	\$8,000	\$8,338
2009	8,000	7,878
2010	9,000	7,420
2011	9,000	6,904
2012	10,000	6,388
2013-2017	58,000	22,862
2018-2020	43,500	5,100
	\$145,500	\$64,890

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2007, are as follows:

Year	Principal	Interest
2008	\$8,674	\$2,482
2009	17,609	2,134
2010	17,963	1,781
2011	18,323	1,419
2012	18,693	1,051
2013-2014	38,519	968
	\$119,781	\$9,835

Principal and interest requirements to retire the water refunding bonds outstanding at December 31, 2007, are as follows:

Year	Water Refunding Bonds	
	Principal	Interest
2008	\$255,000	\$167,732
2009	260,000	161,230
2010	270,000	153,690
2011	275,000	145,050
2012	285,000	135,700
2013-2017	1,595,000	512,855
2018-2021	1,515,000	164,562
	\$4,455,000	\$1,440,819

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2007, are as follows:

Year	OPWC Loans					OWDA Loan	
	Sewer		Water			Sewer	
	Principal	Interest	Treatment Principal	Water Glendale Tank Principal	Water Glendale Tank Interest	Principal	Interest
2008	\$10,627	\$3,414	\$10,000	\$10,318	\$8,700	\$9,135	\$7,463
2009	21,573	6,508	20,000	20,947	8,286	18,805	14,389
2010	22,007	6,074	20,000	21,368	7,866	19,544	13,650
2011	22,449	5,632	20,000	21,797	7,436	20,312	12,882
2012	22,900	5,182	20,000	22,235	7,436	21,110	12,085
2013-2017	121,592	18,816	100,000	118,065	30,430	118,658	47,315
2018-2022	120,273	6,094	10,000	130,416	18,321	143,866	22,107
2023-2025	0	0	0	84,711	5,090	32,252	944
	<u>\$341,421</u>	<u>\$51,720</u>	<u>\$200,000</u>	<u>\$429,857</u>	<u>\$93,565</u>	<u>\$383,682</u>	<u>\$130,835</u>

As of December 31, 2007, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$23,832,088. 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, 2007, is \$615,000. The proceeds of the bonds are used by the College for energy management equipment. The bonds are to be repaid by the College and do not represent an obligation of the City.

**NOTE 17 – NOTES PAYABLE**

Changes in short-term obligations of the City for the year ended December 31, 2007, were as follows:

	Principal Outstanding 12/31/06	Additions	Deletions	Principal Outstanding 12/31/07
<b>Governmental Activities:</b>				
2007 Capital Facilities Bond Anticipation Note @ 4.5%	\$0	\$242,000	\$0	\$242,000
<b>Business-Type Activities:</b>				
2007 Bond Anticipation Note @ 4.5%	0	15,000	0	15,000
Total Notes Payable	<u>\$0</u>	<u>\$257,000</u>	<u>\$0</u>	<u>\$257,000</u>

The Capital Facilities Bond Anticipation Note, which will mature on May 20, 2009, was issued to finance the State Route 7 Access Road and widening project. The Water Bond Anticipation Note, which will mature on April 2, 2009, was issued to finance the Cisler Drive Water Line project.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**NOTE 18 - INTERFUND TRANSFERS AND BALANCES**

Transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them. The Other Local Funds Special Revenue Fund transferred its balance to the General Fund, per Common Pleas Court approval, to close the fund. The following is a summary of the transfers made during the year:

	Transfer In	Transfer Out
General Fund	\$8,546	\$190,881
Special Revenue Funds:		
Cemetery	172,618	0
Fire Levy	18,263	0
Other Local Funds	0	8,546
Total	\$199,427	\$199,427

Interfund balances at year end consisted of an unpaid advance made from the General Fund to the Marietta Harbor Fund for \$6,890. The General Fund and Fire Levy Special Revenue Fund owed the Health Special Revenue Fund \$1,322 and \$702, respectively, for services rendered.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

A. The Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member Board of Directors. The Board is composed of one member from the City of Marietta and one from the City of Athens, one elected official from each of the participating counties, and the remaining members are private citizens appointed by the respective political bodies based upon population. The Board has total control over budgeting, personnel, and all other financial matters. The District receives Title III monies directly. Currently, a portion of the Title III monies are distributed to the O'Neill Senior Citizens Center Corporation, a private not-for-profit corporation. The City contributed \$1,452 to the District during 2007. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Childrens' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member Council. The Council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2007, the Corporation received no administrative fees from the City. The continued existence of the Corporation is not dependent on the City's continued participation and no equity interest exists.

**C. The Wood, Washington, and Wirt Planning Commission**

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is comprised of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and the Mayor of the City of Marietta serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. During 2007, the City of Marietta contributed \$4,746. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2007.

**City of Marietta, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**B. Litigation**

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

**NOTE 21 – SUBSEQUENT EVENTS**

The City retired the \$1,450,000 capital facilities bond anticipation note bearing an interest rate of 4.5% on May 21, 2008, and issued a new note for \$1,208,000.

The City retired the \$430,000 water bond anticipation note bearing an interest rate of 4.5% on April 3, 2008, and issued a new note for \$415,000.

The City issued \$514,000 in energy conversation bonds on March 20, 2008.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Direct from Federal Government:</i>			
Community Development Block Grants/Entitlement Grants	B-06-MC-39-0018	14.218	\$264,407
	B-07-MC-39-0018		<u>52,808</u>
Total Community Development Block Grants/Entitlement Grants			317,215
Section 8 Housing Choice Vouchers	N/A	14.871	<u>1,727,943</u>
Total Direct from Federal Government			2,045,158
<i>Passed through the Ohio Department of Development</i>			
HOME Investment Partnerships Program	A-C-04-289-2	14.239	11,727
	A-C-06-289-2		<u>159,249</u>
Total HOME Investment Partnerships Program			170,976
Total U.S. Department of Housing and Urban Development			2,216,134
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2007VAGENE329	16.575	20,477
	2008VAGENE329		<u>6,825</u>
Total Crime Victim Assistance			27,302
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Formula Grant Program	2006-JG-C01-6554	16.738	39,043
	2006-JG-C01-6288		<u>37,800</u>
Total Edward Byrne Memorial Formula Grant Program			76,843
Violence Against Women Formula Grants	2006-WF-VA2-8424	16.588	<u>19,679</u>
Total U.S. Department of Justice			123,824
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction Grant	06N112	20.205	<u>265,391</u>
Total U.S. Department of Transportation			265,391
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through the Ohio Department of Health:</i>			
Immunization Grants	84-2-001-2-AZ-07	93.268	<u>25,068</u>
Total U.S. Department of Health and Human Services			<u>25,068</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$2,630,417</u></u></b>

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

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

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

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

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2007, the gross amount of loans outstanding under this program was \$65,883.

**NOTE D - MATCHING REQUIREMENTS**

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





# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-004 through 2006-007.

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

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

We also noted certain internal control matters that we reported to the City's management in a separate letter dated September 5, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 5, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 5, 2008



# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

### Compliance

We have audited the compliance of the City of Marietta, Washington County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in finding 2007-009 in the accompanying Schedule of Findings, the City did not comply with requirements regarding sub-recipient monitoring applying to its Section 8 Housing Choice Vouchers major federal program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2007. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2007-008. In a separate letter to the City's management dated September 5, 2008, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control over Compliance**

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

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as findings 2007-008 and 2007-009 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings, we consider finding 2007-009 to be a material weakness.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 5, 2008

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007**

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

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the County Budget Commission, and the Commission shall certify an amended certificate reflecting the deficiency.

Budgeted revenue exceeded actual revenue plus beginning unencumbered January 1 cash. Actual disbursements plus outstanding encumbrances, as well as appropriations, were greater than actual revenue plus unencumbered January 1 cash as follows:

Fund	Budgeted Revenue	Actual Revenue Plus January 1 Unencumbered Cash	Appropriation Authority	Actual Disbursements Plus Outstanding Encumbrances
Community Development	\$2,698,084	\$2,458,586	\$2,742,511	\$2,649,202
Water Construction	465,884	47,287	428,108	423,518
Sewer Surplus	96,096	0	96,096	96,096
Wastewater Facilities	1,080,000	51,997	1,080,000	328,500

This could cause the City to spend more money than is available to spend.

We recommend the City monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations and/or expenditures exceed actual revenue, a reduced amended certificate must be obtained and appropriations adjusted accordingly.

**Officials' Response:** During 2008, revenue is being monitored as estimated versus actual per normal practice recently instituted.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total of estimated revenue available for expenditure therefrom as certified by the County Budget Commission, or in case of appeal, by the Board of Tax Appeals.

As of June 30, 2007, the following funds had appropriations exceeding estimated resources as follows:

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

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

**FINDING NUMBER 2007-002 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.39 (Continued)**

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Fire Levy Fund	\$ 956,231	\$ 974,494	\$ (18,263)
Community Development	2,627,902	2,637,027	(9,125)
Marietta Housing (Marehab)	7,101	7,266	(165)
Water Revenue	3,212,492	3,359,189	(146,697)

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

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

**Officials' Response:** We have monitored same during 2008 and take these recommendations seriously. In the future, errors of this kind will generally be errors of omission and not errors of commission.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2007, expenditures exceeded appropriations, as follows:

<u>Fund/Line Item</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Permissive Tax/Capital Outlay	\$ 67,000	\$ 325,391	\$ (258,391)
Community Development/ Intergovernmental	1,500,000	1,923,264	(423,264)

This was partly due to pass through payments not being recorded on the City's ledgers (see Finding Number 2007-004).

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

We recommend the City Auditor compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the City Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The City Auditor should deny requests for payment when appropriations are not available.

**Officials' Response:** We accept the recommendations and will make further effort to rectify in the future.

**FINDING NUMBER 2007-004**

**Noncompliance Citation and Significant Deficiency**

Ohio Admin. Code Section 117-2-02(A) provided that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Section 117-2-03 of the Administrative Code.

According to Auditor of State Bulletin 2000-008, when a local government enters into an on-behalf-of program agreement with another local government or the State (or federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. The fiscal officer must obtain an official or amended certificate of estimated resources for the expected cash disbursements for the current fiscal year. In addition, the legislative authority is required to pass a resolution amending its appropriation measure.

The City's Municipal Court prepared an annual report which listed the amount of unpaid fines and costs imposed in 2007 as \$376,304 but did not provide supporting documentation. The Auditor of State's Office recalculated the December 31, 2007 receivable which resulted in an \$181,204 adjustment to the City's financial statements, making the receivable \$557,508 in the City's Agency Fund (due to others). The City agreed to an adjustment of the aforementioned amount and subsequently posted the receivable to the financial statements. This adjustment is accurately reflected in the accompanying financial statements.

In addition, the City received monies for the Muskingum Drive Resurfacing Project which was paid directly to the contractor by the Ohio Department of Transportation. The City also received financial assistance for the Kris-Mar Greenway Preservation Project from the Ohio Public Works Commission which was paid directly to the vendor. The City did not record this money on its books, nor were amounts budgeted for these projects. As a result, receipts and disbursements were understated on the City's ledgers for 2007 in the amount of \$265,391 for the Muskingum Drive Project and \$195,321 for the Kris-Mar Project. Local Government Services posted the entries to the City's financial statements.



**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

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

**FINDING NUMBER 2007-004 (Continued)**

**Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Section 117-2-02(A)  
(Continued)**

We recommend the Municipal Court take steps to ensure adequate support is maintained by the Courts to support the receivable amount of unpaid costs and fines at year-end. We also recommend the City record all receipt and expenditure activity on its records even when direct payments are made on behalf of the City by another agency. We also recommend the City budget for these grants by increasing estimated receipts and appropriations.

**Officials' Response:** The incorrect treatment of payments made on behalf of the City of Marietta will be corrected in the future so that fewer adjustments need to be made upon change of books from cash basis to GASB No. 34 standards.

**FINDING NUMBER 2007-005**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

At December 31, 2007, estimated resources as approved by the Budget Commission did not agree to the City's ledgers for the following funds. The variances are as follows:

Fund	Estimated Receipts Per Budget Commission	Amounts Per City's Reports	Variance
General Fund	\$10,158,531	\$9,359,268	\$799,263
Street Fund	1,606,845	1,579,207	27,638
Recreation Fund	417,020	413,845	3,175
Cemetery Fund	217,943	209,268	8,675
Fire Department Levy	895,104	947,757	(52,653)
Community Development	2,708,919	2,702,593	6,326
Marietta Housing	6,712	7,500	(788)
Law Enforcement Trust	2,000	20,000	(18,000)
Victim Information	33,537	35,537	(2,000)
Municipal Court Capital Imprv.	171,298	170,000	1,298
Water Construction	426,108	428,108	(2,000)
SR 7 TIF	1,660,524	1,659,314	1,210
Water Revenue	3,125,534	3,059,307	66,227
Sewer Revenue	2,444,113	2,408,304	35,809
Sanitary Sewer Surplus	96,096	50,000	46,096

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

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

**FINDING NUMBER 2007-005 (Continued)**

**Significant Deficiency (Continued)**

At December 31, 2007, the appropriations as approved by the City Council did not agree to the appropriations entered into the appropriations ledger for the following funds:

Fund	Appropriations Approved by Council	Amounts Posted Per City's Ledgers	Variance
General Fund	\$10,681,812	\$10,676,742	\$5,070
Street Fund	2,225,033	2,197,211	27,822
Recreation Fund	589,677	589,269	408
Cemetery Fund	249,245	247,918	1,327
Community Development	2,742,511	2,740,098	2,413
Municipal Court Capital Imprv.	61,298	60,000	1,298
SR 7 TIF	1,814,312	1,813,102	1,210
Water Revenue	3,412,726	3,381,099	31,627
Sanitary Sewer	2,888,653	2,885,444	3,209

Failure to properly post estimated resources and appropriations could lead to lack of budgetary control. This also resulted in audit adjustments to the budgetary statements.

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

**Officials' Response:** Efforts will be made in the future to correctly post estimated receipts per the budget commission. Also, we will endeavor to correctly post the appropriations that are approved by Council.

**FINDING NUMBER 2007-006**

**Significant Deficiency**

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

Although the City began monitoring the runs posted and receipted by MED3000 in 2007, they neglected to note that MED3000 was not charging for runs at the rate established by Council through Ordinance #125 (06-07).

Failure to do this resulted in an under-billing of approximately \$44,795 for the City for services performed by the City's Fire Department employees.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-006 (Continued)**

**Significant Deficiency (Continued)**

We recommend the City of Marietta develop additional controls to monitor the activity performed by its third party administrator (MED3000 – formerly Healthserve, LLC) of its emergency medical services. This would include reviewing the amounts charged by MED3000.

**Officials' Response:** MED 3000 wasn't charging the new amounts because the former Service Director hadn't signed and forwarded the required paperwork to MED 3000. The City's Fire Department now has controls in place to make sure this doesn't happen again after any future increases.

**FINDING NUMBER 2007-007**

**Significant Deficiency**

Governmental Accounting Standards Board (GASB) Statement No. 34 entitled "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", changed the reporting requirements under generally accepted accounting principles for governmental agencies. The term "capital assets" typically is used to refer to tangible or intangible assets that are used in operations that have initial lives beyond one year. Capital assets include land and land improvements, buildings and building improvement, easements, vehicles, machinery, equipment, and infrastructure. It is incumbent upon the officials of the City to maintain adequate control over all of the City's assets, including its capital assets, to minimize the risk of loss or misuse. It is also essential the City establish and maintain appropriate inventory systems for their capitalized assets. Such systems are needed to protect capital assets from the danger of loss or misuse.

The City does not have a formal capital asset policy in effect. In addition, there were several instances of assets being capitalized that were under the informal \$1,000 policy.

Failure to adopt a capital asset policy in accordance with the requirements outlined by GASB could result in difficulties and inconsistencies in the City reporting capital assets under generally accepted accounting principles for future fiscal years.

We recommend the City adopt a formal capital assets policy to comply with the reporting requirements of GASB Statement No. 34 and to help ensure that capital assets are properly and consistently reported. Some of the more notable items to consider are as follows:

- Establish a single capitalization threshold for all capital assets or establish a different capitalization threshold for different classes of capital assets;
- Criteria for determining the proper class of asset (ie land, land improvement, etc.);
- Establish a depreciation method;
- Adopt useful life schedule for the different classes of assets;
- Criteria to establish what constitutes a addition or deletion;
- A detailed method of reporting improvements, whether to capitalize or expense;
- A detailed methodology for allocating depreciation expense over different expenditure functions for assets used by more than one program;
- Salvage value—if such is to be maintained;

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-007 (Continued)**

**Significant Deficiency (Continued)**

- How to report construction-in-progress and how to account for capitalization of interest;
- How to report capital leases;
- Accounting for fully-depreciated assets; and
- Accounting for infrastructure assets.

For additional guidance regarding infrastructure, see Auditor of State Bulletin 2001-008.

**Officials' Response:** Informal policy is that assets with life of more than one year, are an identifiable unit unto itself and are material in amount are being treated as a capital asset. However, we do agree that a capital asset policy needs to be enacted and has been conveyed to the administration and City Council.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2007-008
<b>CFDA Title and Number</b>	Section 8 Housing Choice Vouchers, CFDA #14.871; HOME Investment Partnerships Program, CFDA #14.239; Crime Victim Assistance, CFDA #16.575; Edward Byrne Memorial Formula Grant, CFDA #16.738; Violence Against Women Formula Grants, CFDA #16.588; Highway Planning and Construction Grant, CFDA #20.205
<b>Federal Award Number / Year</b>	2007 – Section 8 Housing; A-C-06-289-2 / 2006 – HOME Investment Partnerships; VAGENE329 / 2007 and 2008 – Crime Victim Assistance; JG-C01-6554 / 2006 – Edward Byrne Memorial Formula; WF-VA2-8424 / 2006 – Violence Against Women Formula; 06N112 / 2007 – Highway Planning and Construction
<b>Federal Agencies</b>	U.S. Department of Housing and Urban Development; U.S. Department of Justice; U.S. Department of Transportation
<b>Pass-Through Agencies</b>	Direct Award for Section 8 Housing; Ohio Department of Development; Ohio Attorney General's Office; Governor's Office of Criminal Justice Services; Ohio Department of Transportation

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**FINDING NUMBER 2007-008 (Continued)**

**Noncompliance Citation and Significant Deficiency**

OMB Circular A-133 §.310(b) states the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision with the Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans and loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The City's departmental federal schedules, as presented for audit, were not complete or accurate listings of the City's federal expenditures during 2007. This resulted in numerous audit adjustments to the federal schedule amounting to \$652,499 or 25 percent of total federal expenditures.

We recommend the City develop procedures to ensure a complete and accurate federal schedule is prepared each year. Each department should track federal grants more completely and accurately. At minimum, a copy of the grant agreement, copies of federal grant receipts/drawdowns, and copies of federal expenditures should be maintained and forwarded to an employee the City designates as the centralized grant coordinator. At December 31 of each year, the grant coordinator should use these records to prepare the federal schedule that will appear in the City's financial report and should take additional steps to insure the accuracy and completeness of the information presented.

**Officials' Response and Corrective Action Plan:** Procedures will be instituted to rectify this deficiency.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>3. FINDINGS AND FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2007-009
<b>CFDA Title and Number</b>	Section 8 Housing Choice Vouchers, CFDA #14.871
<b>Federal Award Number / Year</b>	2007
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	N/A - Direct Award

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

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

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

The City contracted with Community Action Corporation of Washington and Morgan Counties to administer the Section 8 Housing Choice Vouchers grant during 2007. The City's Community Development Department performed one site visit in October of 2007 which consisted of reviewing financial and programmatic records; however, it failed to document their review of the financial and performance reports submitted by the subrecipient. In addition, no other site visits were performed in 2007. Lack of monitoring could lead to violations of federal requirements to be overlooked or undiscovered for an extended period of time.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

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

**FINDING NUMBER 2007-009 (Continued)**

**Noncompliance Citation and Material Weakness – Subrecipient Monitoring (Continued)**

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

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

**Officials' Response and Corrective Action Plan:** The City of Marietta Community Development Department has been performing quarterly monitoring visits with WMCAP who administers the Section 8 Housing Choice Voucher Program. These visits take place at the subrecipient's location. Site visits have included but are not limited to programmatic records review and financial review of the Section 8 Program.

**CITY OF MARIETTA  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2006-001	Ohio Admin. Code Section 117-2-02 (C)(1) - Estimated receipts approved by the Budget Commission and appropriations approved by City Council not agreeing to amounts posted to the City's accounting system	No	Not Corrected; repeated in the current audit Schedule of Findings as Finding 2007-005.
2006-002	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources in several funds.	No	Not Corrected; repeated in the current audit Schedule of Findings as Finding 2007-002.
2006-003	Responsibilities of the Client, Section #6 of the Business Support Services Agreement – failure of City to monitor the monthly report of EMS runs posted and receipted	No	Partially Corrected; repeated in the current audit Schedule of Findings as Finding 2007-006 due to City not detecting incorrect rate being charged by MED3000.
2006-004	OMB Circular A-133 Section .400 (d) for failing to properly monitor the City's subrecipient under the Section 8 Housing Program.	No	Not Corrected; repeated in the current audit Schedule of Findings as Finding 2007-009.
2006-005	Failure to reconcile CDBG financial amounts on the IDIS system to the City' accounting ledgers	No	Partially Corrected; re-issued in the current audit Management Letter.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF MARIETTA**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 18, 2008**