



Mary Taylor, CPA
Auditor of State

**CITY OF MARIETTA
WASHINGTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Washington County, Ohio (the City), as of and for the year ended December 31, 2008, 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, 2008, 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 14, 2009, 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.



Mary Taylor, CPA
Auditor of State

September 14, 2009

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The discussion and analysis of the City of Marietta's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. 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 2008 are as follows:

- In total, net assets decreased \$1,346,010. Net assets of governmental activities decreased \$1,226,432, while the business-type activities only decreased \$119,578.
- General governmental revenues accounted for \$11,178,312 in revenue or 66% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,652,553 or 34% of total revenues of \$16,830,865.

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.

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 2008?" 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.

City of Marietta, Ohio
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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.

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 2008 compared to 2007.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$14,668,792	\$15,217,455	\$4,988,473	\$4,391,232	\$19,657,265	\$19,608,687
Capital Assets, Net	19,229,350	20,002,540	12,399,356	13,141,607	31,628,706	33,144,147
<i>Total Assets</i>	<u>33,898,142</u>	<u>35,219,995</u>	<u>17,387,829</u>	<u>17,532,839</u>	<u>51,285,971</u>	<u>52,752,834</u>
Liabilities						
Current and Other Liabilities	3,174,735	3,540,734	617,236	653,993	3,791,971	4,194,727
Long-term Liabilities						
Due Within One Year	82,811	18,557	322,399	295,080	405,210	313,637
Due in More Than One Year	2,364,937	2,158,613	5,976,984	5,992,978	8,341,921	8,151,591
<i>Total Liabilities</i>	<u>5,622,483</u>	<u>5,717,904</u>	<u>6,916,619</u>	<u>6,942,051</u>	<u>12,539,102</u>	<u>12,659,955</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	18,190,581	18,705,712	6,439,835	7,205,901	24,630,416	25,911,613
Restricted:						
Street	1,988,208	2,018,121	0	0	1,988,208	2,018,121
Cemetery	20,983	12,874	0	0	20,983	12,874
Community Development	602,951	828,694	0	0	602,951	828,694
Parking	37,241	9,470	0	0	37,241	9,470
Fire Operations	82,265	44,131	0	0	82,265	44,131
Police Operations	117,368	122,382	0	0	117,368	122,382
Court Operations	193,343	304,383	0	0	193,343	304,383
Recreation	688,323	710,547	0	0	688,323	710,547
Health	142,225	95,763	0	0	142,225	95,763
Severance Payments	180,000	0	0	0	180,000	0
Other Purposes	110,316	25,851	0	0	110,316	25,851
Debt Service	0	0	22,144	25,423	22,144	25,423
Capital Proejcts	4,041,782	4,019,307	0	0	4,041,782	4,019,307
Perpetual Care:						
Expendable	2,655	2,655	0	0	2,655	2,655
Non-expendable	424,179	418,723	0	0	424,179	418,723
Park Non-expendable Trust	1,000	1,000	0	0	1,000	1,000
Unclaimed Monies	18,666	23,666	0	0	18,666	23,666
Unrestricted	1,433,573	2,158,812	4,009,231	3,359,464	5,442,804	5,518,276
<i>Total Net Assets</i>	<u>\$28,275,659</u>	<u>\$29,502,091</u>	<u>\$10,471,210</u>	<u>\$10,590,788</u>	<u>\$38,746,869</u>	<u>\$40,092,879</u>

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Total assets decreased \$1,466,863, \$1,321,853 for governmental activities and \$145,010 for business-type activities. Total liabilities decreased \$120,853, \$95,421 for governmental activities and \$25,432 for business-type activities.

For governmental activities, intergovernmental receivables decreased \$567,469 mainly in three areas - \$141,156 for reimbursements from the Ohio Department of Transportation, \$85,462 for the Community Development Block Grant, and \$228,591 for the Comprehensive Housing Improvement Program grant. Capital assets decreased \$773,190. Accounts payable increased \$268,777, while contracts payable decreased \$550,935.

For business-type activities, cash increased \$569,028 while capital assets decreased \$742,251. Small increases and decreases in various current liabilities occurred during the year. Although \$335,546 in debt payments were made in 2008, the City also issued a \$415,000 bond anticipation note during the year.

Table 2 shows the changes in net assets for the year ended December 31, 2008, and comparisons to 2007.

City of Marietta, Ohio
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(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for Services	\$2,328,944	\$2,207,039	\$5,399,218	\$5,195,252	\$7,728,162	\$7,402,291
Operating Grants, Contributions and Interest	3,095,914	4,054,461	0	0	3,095,914	4,054,461
Capital Grants and Contributions	227,695	251,486	50,747	0	278,442	251,486
Total Program Revenues	<u>5,652,553</u>	<u>6,512,986</u>	<u>5,449,965</u>	<u>5,195,252</u>	<u>11,102,518</u>	<u>11,708,238</u>
General Revenues						
Property Taxes	537,106	557,494	0	0	537,106	557,494
Hotel Tax	255,867	248,297	0	0	255,867	248,297
Income Tax	8,092,025	8,168,095	0	0	8,092,025	8,168,095
Payments in Lieu of Taxes	222,321	0	0	0	222,321	0
Franchise Tax	185,238	201,489	0	0	185,238	201,489
Grants and Entitlements	1,188,823	1,216,309	0	0	1,188,823	1,216,309
Investment Earnings	300,186	505,655	4,891	10,499	305,077	516,154
Gain on Sale of Capital Assets	37,521	8,841	1,275	0	38,796	8,841
Other	359,225	847,381	17,194	121,656	376,419	969,037
Total General Revenues	<u>11,178,312</u>	<u>11,753,561</u>	<u>23,360</u>	<u>132,155</u>	<u>11,201,672</u>	<u>11,885,716</u>
Total Revenues	<u>16,830,865</u>	<u>18,266,547</u>	<u>5,473,325</u>	<u>5,327,407</u>	<u>22,304,190</u>	<u>23,593,954</u>
Program Expenses						
General Government:						
Legislative and Executive	4,101,522	3,515,803	0	0	4,101,522	3,515,803
Court	969,083	1,013,344	0	0	969,083	1,013,344
Security of Persons and Property:						
Police	3,053,326	3,010,509	0	0	3,053,326	3,010,509
Fire	3,222,559	3,160,582	0	0	3,222,559	3,160,582
Public Health Services	835,679	861,847	0	0	835,679	861,847
Community Environment	753,711	589,387	0	0	753,711	589,387
Intergovernmental	1,458,854	1,914,575	0	0	1,458,854	1,914,575
Street	2,969,006	2,653,434	0	0	2,969,006	2,653,434
Transportation	2,672	27,274	0	0	2,672	27,274
Leisure Time Activities	620,255	627,009	0	0	620,255	627,009
Interest and Fiscal Charges	70,630	50,713	0	0	70,630	50,713
Sewer	0	0	2,467,058	2,284,016	2,467,058	2,284,016
Water	0	0	3,125,845	3,063,677	3,125,845	3,063,677
Total Program Expenses	<u>18,057,297</u>	<u>17,424,477</u>	<u>5,592,903</u>	<u>5,347,693</u>	<u>23,650,200</u>	<u>22,772,170</u>
Increase (Decrease) in Net Assets	(1,226,432)	842,070	(119,578)	(20,286)	(1,346,010)	821,784
Net Assets Beginning of Year	29,502,091	28,660,021	10,590,788	10,611,074	40,092,879	39,271,095
Net Assets End of Year	<u>\$28,275,659</u>	<u>\$29,502,091</u>	<u>\$10,471,210</u>	<u>\$10,590,788</u>	<u>\$38,746,869</u>	<u>\$40,092,879</u>

City of Marietta, Ohio
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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 general revenue represent 48 and 7 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 20 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.

One of the largest activities 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 2008, expenses for police and fire operations amounted to \$3,053,326 and \$3,222,559, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

Street activities of the City accounted for 16% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2008 amounted to \$2,969,006.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2008, the City collected \$203,966 more in charges for services over the previous year but spent \$245,210 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 \$17,134,105 and expenditures of \$17,467,349.

The fund balance of the General Fund decreased \$627,036. The General Fund's Unreserved Fund Balance of \$2,191,294 represented 23% 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 \$6,056. The Street Fund's Unreserved Fund Balance of \$1,302,541 represented 63% of current year expenditures.

City of Marietta, Ohio
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The fund balance of the Community Development Fund increased \$115,356. The Community Development Fund had an unreserved fund balance of \$121,575 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.

The fund balance of the Capital Improvement Fund decreased \$15,112. The Fund has an unreserved fund balance of \$1,395,551.

The fund balance of the State Route 7 TIF Fund decreased \$328,604. The Fund has an unreserved fund balance of \$316,291.

During 2008, the Sewer Fund had operating revenues of \$2,621,797 and operating expenses of \$2,444,292. The Water Fund had operating revenues of \$2,794,615 and operating expenses of \$2,902,149. 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 2008, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council.

All recommendations for a budget change are given to the City Auditor, who processes them when there are sufficient resources to make such a change, and are then sent to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. Most of the expenditure changes are presented to the City Auditor by the Administration.

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

Original budgeted revenues were increased \$790,880; amendments were mostly made in the income taxes, charges for services, intergovernmental, and fines, licenses and permits accounts. Actual revenues at year end were \$61,270 less than the final budgeted amounts. Actual expenditures for the year were closer to the original budgeted amounts than the final budgeted amounts by \$941,231. The original budgeted amounts were increased \$387,237.

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

While our estimated revenues were higher than actual, the shortfall was less than one percent of the total. We are continuing to monitor these receipts with added attention due to the fall off of almost all revenues and will endeavor to correct our projections to approach a zero variance.

City of Marietta, Ohio
Management's Discussion and Analysis
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Capital Assets and Debt Administration

Capital Assets

Table 3 shows year 2008 balances compared to 2007.

(Table 3)
 Capital Assets at December 31, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$1,033,884	\$1,033,884	\$447,100	\$447,100	\$1,480,984	\$1,480,984
Buildings and Improvements	5,093,414	5,330,162	150,073	156,547	5,243,487	5,486,709
Machinery and Equipment	1,106,571	899,723	525,418	621,122	1,631,989	1,520,845
Vehicles	875,022	731,416	88,552	97,051	963,574	828,467
Infrastructure	8,171,022	9,012,531	10,706,642	11,696,910	18,877,664	20,709,441
Construction in Progress	2,949,437	2,994,824	481,571	122,877	3,431,008	3,117,701
Totals	\$19,229,350	\$20,002,540	\$12,399,356	\$13,141,607	\$31,628,706	\$33,144,147

The City's capital assets for governmental and business-type activities as of December 31, 2008, were \$31,628,706 (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 2008 included \$364,628 for ongoing infrastructure improvements, \$8,157 for building improvements, \$441,396 on machinery and equipment, \$79,080 for three police cruisers, \$14,539 for a vehicle for the court, \$13,970 for a vehicle for the engineer's office, \$176,176 for a street sweeper, \$19,311 for a truck for the lands, buildings, and parks department, and \$52,900 for a rescue squad.

For business-type activities, major capital asset additions during 2008 included \$388,389 for infrastructure improvements and on-going sewer and water projects.

Note 10 (Capital Assets) provides capital asset activity during 2008.

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

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

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
2000 Parking Lot Bonds	\$137,500	\$145,500	\$0	\$0
1999 Third Street Paving OPWC Loan	102,346	119,781	0	0
Capital Facilities Bond				
Anticipation Note:				
Short-term	238,000	242,000	20,000	15,000
Long-term	970,000	1,208,000	395,000	415,000
Energy Conservation Loan	514,000	0	0	0
2003 Water Refunding Bonds	0	0	3,993,393	4,231,865
2007 Sewer OWDA Loan	0	0	399,969	51,997
2002 Sewer OWDA Loan	0	0	365,235	383,682
1996 Water OPWC Loan	0	0	180,000	200,000
2004 Water OPWC Loan	0	0	409,118	429,857
2000 Sewer OPWC Loan	0	0	320,061	341,421
Totals	\$1,961,846	\$1,715,281	\$6,082,776	\$6,068,822

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, 2008, is \$24,646,052.

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

Current Financial Issues

The City is facing financial pressures like many other forms of government. Our costs are mostly personnel and will comprise over 80 percent of the General Fund expenditures. The increase in projected personnel costs are projected at 4.9% of current General Fund appropriations.

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

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Contacting the City Auditor's Department

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

City of Marietta, Ohio
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,717,779	\$3,309,442	\$12,027,221
Cash and Cash Equivalents in Segregated Accounts	54,794	164,955	219,749
Cash and Cash Equivalents with Fiscal Agents	0	35,991	35,991
Investments	858,979	100,000	958,979
Hotel Taxes Receivable	15,743	0	15,743
Permissive Motor Vehicle License Receivable	2,836	0	2,836
Accounts Receivable	129,818	1,102,127	1,231,945
Payments in Lieu of Taxes Receivable	1,420,023	0	1,420,023
Accrued Interest Receivable	4,930	0	4,930
Intergovernmental Receivable	1,643,006	0	1,643,006
Municipal Income Tax Receivable	1,057,368	0	1,057,368
Loans Receivable	59,665	0	59,665
Materials and Supplies Inventory	50,746	82,767	133,513
Prepaid Items	107,429	69,936	177,365
Property Taxes Receivable	545,676	0	545,676
Deferred Charges	0	123,255	123,255
Non-Depreciable Capital Assets	3,983,321	928,671	4,911,992
Depreciable Capital Assets, Net	15,246,029	11,470,685	26,716,714
<i>Total Assets</i>	<u>33,898,142</u>	<u>17,387,829</u>	<u>51,285,971</u>
Liabilities			
Accounts Payable	363,559	63,667	427,226
Contracts Payable	210,498	6,123	216,621
Accrued Wages Payable	156,889	43,480	200,369
Accrued Interest Payable	20,581	32,368	52,949
Intergovernmental Payable	979,670	91,538	1,071,208
Vacation and Compensatory Benefits Payable	681,904	175,841	857,745
Deferred Revenue	523,634	0	523,634
Customer Deposits Payable	0	184,219	184,219
Notes Payable	238,000	20,000	258,000
Long-Term Liabilities:			
Due Within One Year	82,811	322,399	405,210
Due In More Than One Year	2,364,937	5,976,984	8,341,921
<i>Total Liabilities</i>	<u>5,622,483</u>	<u>6,916,619</u>	<u>12,539,102</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	18,190,581	6,439,835	24,630,416
Restricted for:			
Street	1,988,208	0	1,988,208
Cemetery	20,983	0	20,983
Community Development	602,951	0	602,951
Parking	37,241	0	37,241
Fire Operations	82,265	0	82,265
Police Operations	117,368	0	117,368
Court Operations	193,343	0	193,343
Recreation	688,323	0	688,323
Health	142,225	0	142,225
Debt Service	0	22,144	22,144
Capital Projects	4,041,782	0	4,041,782
Severance Payments	180,000	0	180,000
Perpetual Care:			
Expendable	2,655	0	2,655
Non-expendable	424,179	0	424,179
Park - Non-expendable	1,000	0	1,000
Unclaimed Monies	18,666	0	18,666
Other Purposes	110,316	0	110,316
Unrestricted	1,433,573	4,009,231	5,442,804
<i>Total Net Assets</i>	<u>\$28,275,659</u>	<u>\$10,471,210</u>	<u>\$38,746,869</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$4,101,522	\$257,830	\$94,494	\$5,000
Court	969,083	845,319	215,225	14,539
Security of Persons and Property:				
Police	3,053,326	13,279	57,983	0
Fire	3,222,559	455,899	800	0
Public Health Services	835,679	311,459	70,913	0
Community Environment	753,711	0	520,083	0
Intergovernmental	1,458,854	0	1,458,854	0
Street	2,969,006	32,752	656,289	208,156
Transportation	2,672	30,236	0	0
Leisure Time Activities	620,255	382,170	21,273	0
Interest and Fiscal Charges	70,630	0	0	0
<i>Total Governmental Activities</i>	18,057,297	2,328,944	3,095,914	227,695
Business-Type Activities				
Sewer	2,467,058	2,617,449	0	0
Water	3,125,845	2,781,769	0	50,747
<i>Total Business-Type Activities</i>	5,592,903	5,399,218	0	50,747
<i>Total</i>	\$23,650,200	\$7,728,162	\$3,095,914	\$278,442

General Revenues

Property Taxes Levied for:
 General Purposes
 Debt Service
Income Taxes Levied for:
 General Purposes
 Street
 Fire Operations
 Capital Outlay
Payments in Lieu of Taxes
Hotel Tax
Franchise Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Gain on Disposal of Capital Assets
Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,744,198)	\$0	(\$3,744,198)
106,000	0	106,000
(2,982,064)	0	(2,982,064)
(2,765,860)	0	(2,765,860)
(453,307)	0	(453,307)
(233,628)	0	(233,628)
0	0	0
(2,071,809)	0	(2,071,809)
27,564	0	27,564
(216,812)	0	(216,812)
(70,630)	0	(70,630)
(12,404,744)	0	(12,404,744)
0	150,391	150,391
0	(293,329)	(293,329)
0	(142,938)	(142,938)
(12,404,744)	(142,938)	(12,547,682)
520,768	0	520,768
16,338	0	16,338
5,846,756	0	5,846,756
898,107	0	898,107
898,108	0	898,108
449,054	0	449,054
222,321	0	222,321
255,867	0	255,867
185,238	0	185,238
1,188,823	0	1,188,823
300,186	4,891	305,077
37,521	1,275	38,796
359,225	17,194	376,419
11,178,312	23,360	11,201,672
(1,226,432)	(119,578)	(1,346,010)
29,502,091	10,590,788	40,092,879
\$28,275,659	\$10,471,210	\$38,746,869

City of Marietta, Ohio
Balance Sheet
Governmental Funds
December 31, 2008

	General	Street	Community Development	Capital Improvement	State Route 7 TIF	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$2,302,374	\$1,857,351	\$28,981	\$1,467,106	\$559,515	\$2,483,786	\$8,699,113
Cash and Cash Equivalents in Segregated Accounts	35,726	0	0	0	0	19,068	54,794
Restricted Cash	18,666	0	0	0	0	0	18,666
Investments	0	0	0	0	0	858,979	858,979
Receivables:							
Hotel Taxes	15,743	0	0	0	0	0	15,743
Permissive Motor Vehicle License Accounts	0 82,387	2,836 0	0 0	0 0	0 0	0 47,431	2,836 129,818
Payments in Lieu of Taxes	0	0	0	0	1,420,023	0	1,420,023
Accrued Interest	1,866	258	0	0	0	2,806	4,930
Interfund	6,890	0	0	0	0	0	6,890
Municipal Income Tax	774,203	113,266	0	56,633	0	113,266	1,057,368
Loans	0	0	0	0	0	59,665	59,665
Property Taxes	529,798	0	0	0	0	15,878	545,676
Intergovernmental	517,344	351,677	564,406	0	0	209,579	1,643,006
Materials and Supplies Inventory	24,420	26,326	0	0	0	0	50,746
Prepaid Items	85,101	9,689	730	0	0	11,909	107,429
<i>Total Assets</i>	<u>\$4,394,518</u>	<u>\$2,361,403</u>	<u>\$594,117</u>	<u>\$1,523,739</u>	<u>\$1,979,538</u>	<u>\$3,822,367</u>	<u>\$14,675,682</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$279,173	\$21,825	\$46,841	\$0	\$0	\$15,720	\$363,559
Contracts Payable	0	210,498	0	0	0	0	210,498
Accrued Wages Payable	117,431	13,900	836	0	0	24,722	156,889
Accrued Interest Payable	0	0	0	0	3,702	0	3,702
Intergovernmental Payable	861,073	27,321	5,228	0	0	86,048	979,670
Deferred Revenue	864,236	232,765	329,792	5,499	1,420,023	182,021	3,034,336
Interfund Payable	0	0	0	0	0	6,890	6,890
Notes Payable	0	0	0	0	238,000	0	238,000
<i>Total Liabilities</i>	<u>2,121,913</u>	<u>506,309</u>	<u>382,697</u>	<u>5,499</u>	<u>1,661,725</u>	<u>315,401</u>	<u>4,993,544</u>
Fund Balances							
Reserved for Encumbrances	62,645	552,553	89,845	122,689	1,522	119,651	948,905
Reserved for Loans	0	0	0	0	0	53,673	53,673
Reserved for Endowments	0	0	0	0	0	424,461	424,461
Reserved for Unclaimed Monies	18,666	0	0	0	0	0	18,666
Unreserved, Undesignated, Reported in:							
General Fund	2,191,294	0	0	0	0	0	2,191,294
Special Revenue Funds	0	1,302,541	121,575	0	0	1,499,974	2,924,090
Permanent Funds	0	0	0	0	0	3,373	3,373
Capital Projects Funds	0	0	0	1,395,551	316,291	1,405,834	3,117,676
<i>Total Fund Balances</i>	<u>2,272,605</u>	<u>1,855,094</u>	<u>211,420</u>	<u>1,518,240</u>	<u>317,813</u>	<u>3,506,966</u>	<u>9,682,138</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,394,518</u>	<u>\$2,361,403</u>	<u>\$594,117</u>	<u>\$1,523,739</u>	<u>\$1,979,538</u>	<u>\$3,822,367</u>	<u>\$14,675,682</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, 2008*

Total Governmental Fund Balances \$9,682,138

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 19,229,350

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

Investment Earnings	946	
Property Taxes	22,042	
Charges for Services	34,599	
Estate Taxes	45,893	
Municipal Income Tax	108,468	
Payments in Lieu of Taxes	1,420,023	
Miscellaneous Revenues	1,061	
Intergovernmental Revenues	877,670	
	2,510,702	2,510,702

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

Bonds Payable	(137,500)	
Accrued Interest Payable	(16,879)	
Loans Payable	(616,346)	
Notes Payable	(970,000)	
Compensated Absences Payable - Sick Leave	(723,902)	
Vacation and Compensatory Benefits Payable	(681,904)	
	(3,146,531)	(3,146,531)

Net Assets of Governmental Activities \$28,275,659

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, 2008

	General	Street	Community Development	Capital Improvement	State Route 7 TIF	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$516,514	\$0	\$0	\$0	\$0	\$16,338	\$532,852
Hotel Tax	255,867	0	0	0	0	0	255,867
Permissive Motor Vehicle License	0	32,752	0	0	0	0	32,752
Municipal Income Tax	5,844,109	898,107	0	449,054	0	898,108	8,089,378
Payments in Lieu of Taxes	0	0	0	0	222,753	0	222,753
Charges for Services	728,908	0	0	0	0	593,599	1,322,507
Fines, Licenses and Permits	563,324	0	0	0	0	385,587	948,911
Franchise Tax	185,238	0	0	0	0	0	185,238
Intergovernmental	1,297,518	836,458	2,311,326	5,000	0	328,024	4,778,326
Special Assessments	0	11,244	0	0	0	0	11,244
Investment Earnings	294,883	42,217	0	0	5,303	39,602	382,005
Donations	0	0	0	0	0	3,064	3,064
Rent	7,578	0	0	0	0	2,700	10,278
Other	72,062	250,807	7,386	1,897	93	26,685	358,930
<i>Total Revenues</i>	<u>9,766,001</u>	<u>2,071,585</u>	<u>2,318,712</u>	<u>455,951</u>	<u>228,149</u>	<u>2,293,707</u>	<u>17,134,105</u>
Expenditures							
Current:							
General Government:							
Legislative and Executive	3,616,794	0	0	0	0	60,571	3,677,365
Court	679,716	0	0	0	0	382,174	1,061,890
Security of Persons and Property:							
Police	2,909,490	0	0	0	0	50,797	2,960,287
Fire	2,079,398	0	0	0	0	1,036,200	3,115,598
Public Health Services	414,337	0	0	0	0	399,207	813,544
Community Environment	0	0	744,502	0	0	6,479	750,981
Street	0	2,064,169	0	0	0	0	2,064,169
Transportation	0	0	0	0	0	2,568	2,568
Leisure Time Activities	0	0	0	0	0	422,695	422,695
Capital Outlay	0	0	0	518,572	251,875	18,315	788,762
Intergovernmental	0	0	1,458,854	0	0	0	1,458,854
Debt Service:							
Principal Retirement	0	17,435	0	0	0	8,000	25,435
Current Refunding	0	0	0	0	238,000	0	238,000
Interest and Fiscal Charges	9,676	2,309	0	0	66,878	8,338	87,201
<i>Total Expenditures</i>	<u>9,709,411</u>	<u>2,083,913</u>	<u>2,203,356</u>	<u>518,572</u>	<u>556,753</u>	<u>2,395,344</u>	<u>17,467,349</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>56,590</u>	<u>(12,328)</u>	<u>115,356</u>	<u>(62,621)</u>	<u>(328,604)</u>	<u>(101,637)</u>	<u>(333,244)</u>
Other Financing Sources (Uses)							
Proceeds from Sale of Capital Assets	1,554	306	0	38,470	0	1,125	41,455
Proceeds of Loans	0	0	0	0	0	514,000	514,000
Notes Issued	0	0	0	0	970,000	0	970,000
Transfers In	0	18,078	0	9,039	0	658,063	685,180
Current Refunding	0	0	0	0	(970,000)	0	(970,000)
Transfers Out	(685,180)	0	0	0	0	0	(685,180)
<i>Total Other Financing Sources (Uses)</i>	<u>(683,626)</u>	<u>18,384</u>	<u>0</u>	<u>47,509</u>	<u>0</u>	<u>1,173,188</u>	<u>555,455</u>
<i>Net Change in Fund Balances</i>	<u>(627,036)</u>	<u>6,056</u>	<u>115,356</u>	<u>(15,112)</u>	<u>(328,604)</u>	<u>1,071,551</u>	<u>222,211</u>
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$2,272,605</u>	<u>\$1,855,094</u>	<u>\$211,420</u>	<u>\$1,518,240</u>	<u>\$317,813</u>	<u>\$3,506,966</u>	<u>\$9,682,138</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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$222,211

***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	1,155,618	
Capital Contributions	14,539	
Depreciation	<u>(1,939,413)</u>	
Excess of Depreciation Expense Over Capital Outlay		(769,256)

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. (3,934)

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

Investment Earnings	341	
Property Taxes	4,254	
Municipal Income Tax	2,647	
Payments in Lieu of Taxes	(432)	
Special Assessments	(11,244)	
Intergovernmental Revenues	(2,525)	
Estate Taxes	(9,629)	
Miscellaneous Revenues	(456)	
Grants	(297,684)	
State Shared Revenues	(55,819)	
Charges for Services	<u>15,247</u>	
Total		(355,300)

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. 16,571

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. (276,000)

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	8,000	
Loans	<u>17,435</u>	
Total		25,435

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	(66,146)	
Compensated Absences Payable - Sick Leave	<u>(20,013)</u>	
Total		<u>(86,159)</u>

Change in Net Assets of Governmental Activities (\$1,226,432)

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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$570,900	\$516,514	\$516,514	\$0
Hotel Tax	240,000	255,194	255,194	0
Municipal Income Tax	5,764,706	5,905,059	5,829,504	(75,555)
Charges for Services	685,200	717,866	752,866	35,000
Fines, Licenses and Permits	528,500	563,935	563,935	0
Franchise Tax	190,000	191,825	191,825	0
Intergovernmental	679,800	1,330,777	1,330,777	0
Investment Earnings	350,000	315,772	315,772	0
Donations	0	9,203	9,203	0
Rent	6,200	7,578	7,578	0
Other	99,000	91,463	70,748	(20,715)
<i>Total Revenues</i>	<u>9,114,306</u>	<u>9,905,186</u>	<u>9,843,916</u>	<u>(61,270)</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,867,911	4,144,521	3,403,409	741,112
Court	728,186	741,688	695,895	45,793
Security of Persons and Property:				
Police	3,041,680	3,046,679	2,942,920	103,759
Fire	2,052,387	2,144,513	2,103,898	40,615
Public Health Services	425,524	425,524	415,572	9,952
Debt Service:				
Interest and Fiscal Charges	9,676	9,676	9,676	0
<i>Total Expenditures</i>	<u>10,125,364</u>	<u>10,512,601</u>	<u>9,571,370</u>	<u>941,231</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,011,058)</u>	<u>(607,415)</u>	<u>272,546</u>	<u>879,961</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	1,554	1,554	0
Transfers Out	(282,951)	(699,145)	(685,180)	13,965
<i>Total Other Financing Sources (Uses)</i>	<u>(282,951)</u>	<u>(697,591)</u>	<u>(683,626)</u>	<u>13,965</u>
<i>Net Change in Fund Balance</i>	(1,294,009)	(1,305,006)	(411,080)	893,926
<i>Fund Balance Beginning of Year</i>	2,486,537	2,486,537	2,486,537	0
Prior Year Encumbrances Appropriated	129,160	129,160	129,160	0
<i>Fund Balance End of Year</i>	<u>\$1,321,688</u>	<u>\$1,310,691</u>	<u>\$2,204,617</u>	<u>\$893,926</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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Permissive Motor Vehicle License Tax	\$19,630	\$38,406	\$32,580	(\$5,826)
Municipal Income Tax	894,118	897,099	897,099	0
Intergovernmental	752,370	979,458	979,458	0
Special Assessments	6,744	15,974	11,244	(4,730)
Investment Earnings	53,500	46,692	46,807	115
Other	11,718	265,538	265,538	0
<i>Total Revenues</i>	<u>1,738,080</u>	<u>2,243,167</u>	<u>2,232,726</u>	<u>(10,441)</u>
Expenditures				
Current:				
Street	2,835,368	3,700,278	3,235,263	465,015
Debt Service:				
Principal Retirement	17,435	17,435	17,435	0
Interest and Fiscal Charges	2,309	2,309	2,309	0
<i>Total Expenditures</i>	<u>2,855,112</u>	<u>3,720,022</u>	<u>3,255,007</u>	<u>465,015</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,117,032)</u>	<u>(1,476,855)</u>	<u>(1,022,281)</u>	<u>454,574</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	306	306	0
Transfers In	0	18,078	18,078	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>18,384</u>	<u>18,384</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,117,032)	(1,458,471)	(1,003,897)	454,574
<i>Fund Balance Beginning of Year</i>	1,513,063	1,513,063	1,513,063	0
Prior Year Encumbrances Appropriated	576,301	576,301	576,301	0
<i>Fund Balance End of Year</i>	<u>\$972,332</u>	<u>\$630,893</u>	<u>\$1,085,467</u>	<u>\$454,574</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, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
Intergovernmental	\$2,449,985	\$2,695,201	\$2,350,725	(\$344,476)
Other	0	12,521	12,521	0
<i>Total Revenues</i>	<u>2,449,985</u>	<u>2,707,722</u>	<u>2,363,246</u>	<u>(344,476)</u>
Expenditures				
Current:				
Community Environment	1,368,570	1,233,529	960,300	273,229
Intergovernmental	1,500,000	1,598,628	1,598,628	0
<i>Total Expenditures</i>	<u>2,868,570</u>	<u>2,832,157</u>	<u>2,558,928</u>	<u>273,229</u>
<i>Net Change in Fund Balance</i>	(418,585)	(124,435)	(195,682)	(71,247)
<i>Fund Balance (Deficit) Beginning of Year</i>	(146,014)	(146,014)	(146,014)	0
Prior Year Encumbrances Appropriated	<u>236,991</u>	<u>236,991</u>	<u>236,991</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$327,608)</u></u>	<u><u>(\$33,458)</u></u>	<u><u>(\$104,705)</u></u>	<u><u>(\$71,247)</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2008

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$2,551,734	\$674,679	\$3,226,413
Cash and Cash Equivalents in Segregated Accounts	71,138	92,627	163,765
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	525,485	576,642	1,102,127
Materials and Supplies Inventory	8,376	74,391	82,767
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agents	0	35,581	35,581
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	40,684	42,345	83,029
Cash and Cash Equivalents in Segregated Accounts	583	607	1,190
Investments	49,000	51,000	100,000
Prepaid Items	30,627	39,309	69,936
<i>Total Current Assets</i>	<u>3,277,627</u>	<u>1,587,591</u>	<u>4,865,218</u>
Noncurrent:			
Deferred Charges	0	123,255	123,255
Non-Depreciable Capital Assets	484,154	444,517	928,671
Depreciable Capital Assets, Net	6,493,945	4,976,740	11,470,685
<i>Total Noncurrent Assets</i>	<u>6,978,099</u>	<u>5,544,512</u>	<u>12,522,611</u>
<i>Total Assets</i>	<u>10,255,726</u>	<u>7,132,103</u>	<u>17,387,829</u>
Liabilities			
Current:			
Accounts Payable	29,960	33,707	63,667
Contracts Payable	6,123	0	6,123
Accrued Wages	19,929	23,551	43,480
Intergovernmental Payable	42,331	49,207	91,538
Vacation and Compensatory Benefits Payable	75,944	99,897	175,841
Accrued Interest Payable	8,332	24,036	32,368
Compensated Absences Payable	623	20,917	21,540
Notes Payable	0	20,000	20,000
Refunding Bonds Payable	0	260,000	260,000
Issue II Loans Payable	10,840	20,526	31,366
OWDA Loans Payable	9,493	0	9,493
<i>Total Current Liabilities</i>	<u>203,575</u>	<u>551,841</u>	<u>755,416</u>
Long-Term:			
Customer Deposits Payable from			
Restricted Assets	90,267	93,952	184,219
Compensated Absences Payable	48,824	166,243	215,067
Notes Payable	0	395,000	395,000
Refunding Bonds Payable	0	3,733,393	3,733,393
Issue II Loans Payable	309,221	568,592	877,813
OWDA Loans Payable	755,711	0	755,711
<i>Total Long-Term Liabilities</i>	<u>1,204,023</u>	<u>4,957,180</u>	<u>6,161,203</u>
<i>Total Liabilities</i>	<u>1,407,598</u>	<u>5,509,021</u>	<u>6,916,619</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,892,834	547,001	6,439,835
Restricted for Debt Service	0	22,144	22,144
Unrestricted	2,955,294	1,053,937	4,009,231
<i>Total Net Assets</i>	<u>\$8,848,128</u>	<u>\$1,623,082</u>	<u>\$10,471,210</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, 2008*

	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>
Operating Revenues			
Charges for Services	\$2,617,449	\$2,781,769	\$5,399,218
Other Operating Revenues	4,348	12,846	17,194
<i>Total Operating Revenues</i>	<u>2,621,797</u>	<u>2,794,615</u>	<u>5,416,412</u>
Operating Expenses			
Salaries and Wages	745,607	866,143	1,611,750
Fringe Benefits	382,924	442,023	824,947
Contractual Services	642,643	580,711	1,223,354
Materials and Supplies	128,868	322,009	450,877
Other Operating Expenses	21,852	20,999	42,851
Depreciation	522,398	670,264	1,192,662
<i>Total Operating Expenses</i>	<u>2,444,292</u>	<u>2,902,149</u>	<u>5,346,441</u>
<i>Operating Income (Loss)</i>	<u>177,505</u>	<u>(107,534)</u>	<u>69,971</u>
Non-Operating Revenues (Expenses)			
Investment Earnings	0	4,891	4,891
Operating Grants	0	50,747	50,747
Gain on Sale of Capital Assets	0	1,275	1,275
Loss on Sale of Capital Assets	(1,297)	0	(1,297)
Interest and Fiscal Charges	(21,469)	(223,696)	(245,165)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(22,766)</u>	<u>(166,783)</u>	<u>(189,549)</u>
<i>Change in Net Assets</i>	154,739	(274,317)	(119,578)
<i>Net Assets Beginning of Year</i>	<u>8,693,389</u>	<u>1,897,399</u>	<u>10,590,788</u>
<i>Net Assets End of Year</i>	<u><u>\$8,848,128</u></u>	<u><u>\$1,623,082</u></u>	<u><u>\$10,471,210</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, 2008

	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,618,665	\$2,729,422	\$5,348,087
Cash Payments for Employee Services and Benefits	(1,112,919)	(1,291,899)	(2,404,818)
Cash Payments to Suppliers for Goods and Services	(838,188)	(910,615)	(1,748,803)
Other Operating Revenues	4,348	12,846	17,194
Other Operating Expenses	(22,454)	(20,473)	(42,927)
Customer Deposits Received	19,367	20,158	39,525
Customer Deposits Returned	(16,309)	(16,975)	(33,284)
	<u>652,510</u>	<u>522,464</u>	<u>1,174,974</u>
<i>Net Cash Provided by Operating Activities</i>			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(358,505)	(78,194)	(436,699)
Proceeds from Sale of Bond Anticipation Notes	0	415,000	415,000
Loan Proceeds	347,972	0	347,972
Proceeds from Sale of Capital Assets	0	1,275	1,275
Operating Grants	0	50,747	50,747
Principal Paid on Debt	(39,807)	(725,739)	(765,546)
Interest Paid on Debt	(21,469)	(202,117)	(223,586)
	<u>(71,809)</u>	<u>(539,028)</u>	<u>(610,837)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>			
Cash Flows from Investing Activities:			
Investment Earnings	0	4,891	4,891
	<u>0</u>	<u>4,891</u>	<u>4,891</u>
<i>Net Cash Provided by Investing Activities</i>			
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	580,701	(11,673)	569,028
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,083,438</u>	<u>857,922</u>	<u>2,941,360</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,664,139</u></u>	<u><u>\$846,249</u></u>	<u><u>\$3,510,388</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
<i>Operating Income (Loss)</i>	\$177,505	(\$107,534)	\$69,971
Adjustments:			
Depreciation	522,398	670,264	1,192,662
(Increase)/Decrease in Assets:			
Accounts Receivable	1,216	(52,347)	(51,131)
Materials and Supplies Inventory	6,381	7,289	13,670
Prepaid Items	71	(684)	(613)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(17,429)	(13,951)	(31,380)
Contracts Payable	(57,351)	0	(57,351)
Accrued Wages Payable	6,399	7,162	13,561
Intergovernmental Payable	(2,619)	(97)	(2,716)
Vacation and Compensatory Benefits Payable	12,891	6,798	19,689
Customer Deposits Payable	3,058	3,183	6,241
Compensated Absences Payable	(10)	2,381	2,371
	<u>\$652,510</u>	<u>\$522,464</u>	<u>\$1,174,974</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$652,510</u></u>	<u><u>\$522,464</u></u>	<u><u>\$1,174,974</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	\$21,859
Cash and Cash Equivalents in Segregated Accounts	93,963
Hotel Taxes Receivable	15,743
Accounts Receivable	<u>946,165</u>
<i>Total Assets</i>	<u><u>\$1,077,730</u></u>
 Liabilities	
Intergovernmental Payable	\$83,062
Due to Others	<u>994,668</u>
<i>Total Liabilities</i>	<u><u>\$1,077,730</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

Reporting 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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008

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, 2008

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, 2008, but which were levied to finance year 2009 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, 2008

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 2008, 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 2008 amounted to \$294,883, which includes \$232,485 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, 2008

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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	5 - 10 years	5 years
Infrastructure	10 - 25 years	10 - 50 years

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

K. Compensated Absences

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 \$8,651,505 of restricted net assets, of which none are restricted by enabling legislation.

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008

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	(\$627,036)	\$6,056	\$115,356
Net Adjustment for Revenue Accruals	34,180	156,940	44,534
Beginning 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
End of Year:			
Unrecorded Cash	(18,520)	0	0
Unrecorded Interest	(13,076)	(2,001)	0
Prepaid Items	(85,101)	(9,689)	(730)
Segregated Accounts	(35,726)	0	0
Net Adjustment for Expenditure Accruals	224,187	(401,223)	(221,809)
Encumbrances	(84,827)	(769,883)	(133,686)
Budget Basis	<u><u>(\$411,080)</u></u>	<u><u>(\$1,003,897)</u></u>	<u><u>(\$195,682)</u></u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 4 - CHANGES IN ACCOUNTING PRINCIPLES

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments".

GASB Statement No. 49 addresses the accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The implementation of this statement did not result in any change to the financial statements.

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, 2008. 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, 2008:

	Estimated Revenues plus Balances	Appropriations plus Encumbrances	Excess
Community Development Special Revenue Fund	\$2,540,962	\$2,868,570	(\$327,608)

The following fund had final appropriations in excess of final estimated revenues plus available balances for the year ended December 31, 2008

	Estimated Revenues plus Balances	Appropriations plus Encumbrances	Excess
Community Development Special Revenue Fund	\$2,798,699	\$2,832,157	(\$33,458)

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 describe in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the City's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the City's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. One percent of the City's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the City. Investments must be purchased with the expectation that they 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
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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 \$13,355,622 and the bank balance was \$13,873,876. Of the bank balance, \$1,929,981 was covered by Federal depository insurance and \$11,943,895 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. 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 2008 is 6.25 percent and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2008, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$235,590,870
Public Utility Property	6,189,550
Tangible Personal Property	6,732,890
	<u>\$248,513,310</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Marietta. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2008, 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 2008 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, 2008, consisted of taxes, accounts (billings for user charged services including unbilled utility services and third party billings), payments in lieu of taxes, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$59,665. 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 \$53,673.

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 \$1,420,023, which represents amounts to be received by the City until the end of the agreement.

A summary of the principal items of intergovernmental receivables follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Governmental Activities:	<u>Amount</u>
Gasoline Tax and Motor Vehicle License	\$341,289
Community Development Block Grant	323,316
Local Government	255,940
Estate Taxes	183,572
Housing Urban Development	128,930
Comprehensive Housing Improvement Program	112,160
Community Corrections Grant	75,449
LGS Collaboration Grant	75,000
Homestead and Rollback	29,492
Victims Informaion Program	18,427
Tax Reimbursements	15,077
Medicare	12,470
Resource Grant	12,260
Court Reimbursements	12,007
Flood Mitigation (FEMA) Grant	11,589
Highway Safety Grant	7,918
Stop Violence Against Women Grant	6,825
Indigent Alcohol	5,537
Health Subsidy	4,166
Police Training Grant	3,720
Children with Medical Handicaps Reimbursements	2,910
Permit Fees	2,836
Other	1,994
Health Check-ups	122
Total Governmental Activities	<u><u>\$1,643,006</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: 72% to the General Fund, 11% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, and 6% to the Capital Improvement Capital Projects Fund.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 12/31/07	Increases	Decreases	Balance 12/31/08
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,033,884	\$0	\$0	\$1,033,884
Construction in Progress	2,994,824	364,628	410,015	2,949,437
Total Capital Assets not being Depreciated	<u>4,028,708</u>	<u>364,628</u>	<u>410,015</u>	<u>3,983,321</u>
Capital Assets being Depreciated:				
Buildings and Improvements	8,443,131	8,157	15,169	8,436,119
Machinery and Equipment	4,229,650	441,396	215,784	4,455,262
Vehicles	3,168,451	355,976	230,357	3,294,070
Infrastructure	28,514,360	410,015	0	28,924,375
Total Capital Assets being Depreciated	<u>44,355,592</u>	<u>1,215,544</u>	<u>461,310</u>	<u>45,109,826</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,112,969)	(244,905)	(15,169)	(3,342,705)
Machinery and Equipment	(3,329,927)	(231,273)	(212,509)	(3,348,691)
Vehicles	(2,437,035)	(211,711)	(229,698)	(2,419,048)
Infrastructure	(19,501,829)	(1,251,524)	0	(20,753,353)
Total Accumulated Depreciation	<u>(28,381,760)</u>	<u>(1,939,413) *</u>	<u>(457,376)</u>	<u>(29,863,797)</u>
Total Capital Assets being Depreciated, Net	<u>15,973,832</u>	<u>(723,869)</u>	<u>3,934</u>	<u>15,246,029</u>
Governmental Activities Capital Assets, Net	<u>\$20,002,540</u>	<u>(\$359,241)</u>	<u>\$413,949</u>	<u>\$19,229,350</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$161,893
General Government - Court	43,360
Security of Persons and Property:	
Police	86,052
Fire	142,839
Public Health Services	17,388
Community Environment	2,691
Street	1,290,394
Parking	104
Leisure Time Activities	194,692
Total Depreciation Expense	<u>\$1,939,413</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balance 12/31/07	Increases	Decreases	Balance 12/31/08
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$447,100	\$0	\$0	\$447,100
Construction in Progress	122,877	358,694	0	481,571
Total Capital Assets not being Depreciated	<u>569,977</u>	<u>358,694</u>	<u>0</u>	<u>928,671</u>
Capital Assets being Depreciated:				
Buildings and Improvements	306,893	0	0	306,893
Machinery and Equipment	2,031,309	43,771	33,869	2,041,211
Vehicles	698,204	19,548	16,796	700,956
Infrastructure	55,459,143	29,695	375,573	55,113,265
Total Capital Assets being Depreciated	<u>58,495,549</u>	<u>93,014</u>	<u>426,238</u>	<u>58,162,325</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(150,346)	(6,474)	0	(156,820)
Machinery and Equipment	(1,410,187)	(139,071)	(33,465)	(1,515,793)
Vehicles	(601,153)	(28,047)	(16,796)	(612,404)
Infrastructure	(43,762,233)	(1,019,070)	(374,680)	(44,406,623)
Total Accumulated Depreciation	<u>(45,923,919)</u>	<u>(1,192,662)</u>	<u>(424,941)</u>	<u>(46,691,640)</u>
Total Capital Assets being Depreciated, Net	<u>12,571,630</u>	<u>(1,099,648)</u>	<u>1,297</u>	<u>11,470,685</u>
Business-Type Activities Capital Assets, Net	<u>\$13,141,607</u>	<u>(\$740,954)</u>	<u>\$1,297</u>	<u>\$12,399,356</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 Barenco Insurance Agency who, on behalf of the City, negotiates property and casualty insurance coverage with various carriers. Travelers Insurance Companies 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. The following lists the coverage limits and deductibles:

Property	Limit	Deductible	
Real and Personal Property	\$83,970,413	\$5,000	
Boiler and Machinery	83,970,413	5,000	
	Limit (Per		
Liability	Occurrence)	Aggregate	Deductible
Commercial General	\$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
Public 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

Vehicles are covered by 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.

City of Marietta, Ohio
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For the Year Ended December 31, 2008

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 pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by 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, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$337,500, \$426,893, and \$427,985, respectively; 90.09 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$4,205 made by the City and \$3,004 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 benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City’s contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City’s contributions 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 \$213,267 and \$311,758 for the year ended December 31, 2008, \$200,840 and \$322,895 for the year ended December 31, 2007, and \$166,542 and \$378,993 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 74.00 percent has been contributed for police and 73.21 percent has been contributed for firefighters for 2008.

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 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 their contributions to OPERS. A portion of each employer’s contribution to the traditional and combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll (17.40 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. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006, were \$337,500, \$287,090, and \$186,080, respectively; 90.09 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, 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.

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 health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

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

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

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

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 410(h) account within the defined benefit 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 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 health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$112,906 and \$121,992 for the year ended December 31, 2008, \$120,764 and \$139,536 for the year ended December 31, 2007, and \$109,847 and \$140,200 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 74.00 percent has been contributed for police and 73.21 percent has been contributed for firefighters for 2008.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis and are paid 100% by the City. Rates are \$200.60 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, 2008

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2008, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<u>Capital Asset Projects:</u>			
<i>LED Signal Head Retrofit</i>			
Street Fund	\$149,638	\$36,297	\$113,341
Energy Conservation Fund	49,996	0	49,996
	<u>199,634</u>	<u>36,297</u>	<u>163,337</u>
<i>State Route 7 Access Road</i>			
Street Fund	253,772	253,772	0
Access Road Fund	33,437	33,437	0
State Route 7 TIF Fund	1,210,025	1,207,877	2,148
Water Fund	21,518	21,518	0
	<u>1,518,752</u>	<u>1,516,604</u>	<u>2,148</u>
<i>Justice Center</i>			
Court Capital Improvement Fund	1,231,188	1,221,798	9,390
<i>Front Street Resurfacing</i>			
Street Fund	269,819	42,907	226,912
<i>Flood Mitigation</i>			
Street Fund	24,700	22,230	2,470
<i>Greene Street Safety Study</i>			
Street Fund	10,000	7,918	2,082
<i>Lockout Park Restroom Facilities</i>			
Capital Improvement Fund	29,799	0	29,799
<i>Eastlawn Sewer Forcemain</i>			
Sewer Fund	64,803	0	64,803
<i>Water Plant Landslip</i>			
Water Fund	87,304	58,397	28,907
<i>Waste Water Treatment Plant Upgrades</i>			
Sewer Fund	776,310	419,177	357,133
Total Capital Asset Projects:	<u>4,212,309</u>	<u>3,325,328</u>	<u>886,981</u>
<u>Non-Capital Asset Projects:</u>			
<i>2008 Asphalt Paving</i>			
Street Fund	246,170	186,522	59,648
<i>Riverfront Trail Phase II</i>			
Street Fund	176,154	0	176,154
Community Development Fund	134,663	52,206	82,457
	<u>310,817</u>	<u>52,206</u>	<u>258,611</u>
Total Non-Capital Asset Projects:	<u>556,987</u>	<u>238,728</u>	<u>318,259</u>
Total All Projects	<u>\$4,769,296</u>	<u>\$3,564,056</u>	<u>\$1,205,240</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2008, were as follows:

	Principal Outstanding 12/31/07	Additions	Deletions	Principal Outstanding 12/31/08	Amounts Due in One Year
Governmental Activities:					
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	\$145,500	\$0	\$8,000	\$137,500	\$8,000
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	119,781	0	17,435	102,346	8,848
2007 Capital Facilities Bond					
Anticipation Note @ 4.5%	1,208,000	0	1,208,000	0	0
2008 Capital Facilities Bond					
Anticipation Note @ 2.5%	0	970,000	0	970,000	0
Energy Conservation Loan @ 2.7%	0	514,000	0	514,000	51,200
Compensated Absences - Sick Leave	703,889	47,561	27,548	723,902	14,763
Total Governmental Activities	<u>\$2,177,170</u>	<u>\$1,531,561</u>	<u>\$1,260,983</u>	<u>\$2,447,748</u>	<u>\$82,811</u>
Business-Type Activities:					
<u>Bonds:</u>					
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	4,455,000	0	255,000	4,200,000	260,000
Bond Discount	(7,129)	0	(528)	(6,601)	0
Deferred Amount on Refunding	(216,006)	0	(16,000)	(200,006)	0
Total Water Refunding Bonds	<u>4,231,865</u>	<u>0</u>	<u>238,472</u>	<u>3,993,393</u>	<u>260,000</u>
<u>Notes:</u>					
2007 Bond Anticipation Note @ 4.5%	415,000	0	415,000	0	0
2008 Bond Anticipation Note @ 3.25%	0	395,000	0	395,000	0
Total Bond Anticipation Notes	<u>415,000</u>	<u>395,000</u>	<u>415,000</u>	<u>395,000</u>	<u>0</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2007 - \$1,080,000 @ 3.2%	51,997	347,972	0	399,969	0
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	383,682	0	18,447	365,235	9,493
Water OPWC Loan					
1996 - \$400,000 @ 0%	200,000	0	20,000	180,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$479,936 @ 2%	429,857	0	20,739	409,118	10,526
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	341,421	0	21,360	320,061	10,840
Total Loans	<u>1,406,957</u>	<u>347,972</u>	<u>80,546</u>	<u>1,674,383</u>	<u>40,859</u>
Compensated Absences - Sick Leave	234,236	2,371	0	236,607	21,540
Total Business-Type Activities	<u>\$6,288,058</u>	<u>\$745,343</u>	<u>\$734,018</u>	<u>\$6,299,383</u>	<u>\$322,399</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 energy conservation loan will be paid from energy savings.

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 2009 (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 \$881,291. Principal and interest payments for the current year were \$33,195, net revenues were \$699,903, and total revenues were \$2,621,797.

The Water Bond Anticipation Note was issued to finance the Cisler Drive Water Line project. The notes were refinanced in May 2009 (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 2008 is \$16,000.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 69 percent of net revenues in future years. The total principal and interest remaining to be paid on the bonds is \$5,473,087. Principal and interest payments for the current year were \$422,733, net revenues were \$619,643, and total revenues were \$2,851,528.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2008, are as follows:

Year	Parking Lot Bonds	
	Principal	Interest
2009	\$8,000	\$7,878
2010	9,000	7,420
2011	9,000	6,904
2012	10,000	6,388
2013	10,000	5,816
2014-2018	61,500	19,538
2019-2020	30,000	2,608
	\$137,500	\$56,552

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2008, are as follows:

Year	Principal	Interest
2009	\$8,848	\$1,023
2010	17,963	1,781
2011	18,323	1,419
2012	18,693	1,051
2013	19,068	675
2014	19,451	293
	\$102,346	\$6,242

Principal and interest requirements to retire the Energy Conservation Loan liability at December 31, 2008, are as follows:

Year	Principal	Interest
2009	\$51,200	\$13,878
2010	52,600	12,496
2011	54,000	11,076
2012	55,500	9,618
2013	57,000	8,119
2014-2017	243,700	16,670
	\$514,000	\$71,857

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Principal and interest requirements to retire the water refunding bonds outstanding at December 31, 2008, are as follows:

Year	Water Refunding Bonds	
	Principal	Interest
2009	\$260,000	\$161,230
2010	270,000	153,690
2011	275,000	145,050
2012	285,000	135,700
2013	295,000	125,582
2014-2018	1,655,000	451,323
2019-2021	1,160,000	100,512
	\$4,200,000	\$1,273,087

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2008, are as follows:

Year	OPWC Loans					OWDA Loan	
	Sewer		Water			Sewer	
	Principal	Interest	Treatment	Water Glendale Tank		Principal	Interest
2009	\$10,840	\$3,201	\$10,000	\$10,526	\$4,091	\$9,493	\$7,104
2010	22,007	6,075	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	6,998	21,110	12,085
2013	23,360	4,721	20,000	22,683	6,551	21,939	11,255
2014-2018	124,036	16,372	90,000	120,438	25,731	123,319	42,653
2019-2023	94,469	3,817	0	133,037	13,128	149,518	16,458
2024-2025	0	0	0	57,034	1,433	0	0
	\$320,061	\$45,000	\$180,000	\$409,118	\$73,234	\$365,235	\$116,087

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$24,646,052. 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, 2008, is \$315,000. The proceeds of the bonds are used by the College for energy management equipment. The bonds are to be repaid by the College and do not represent an obligation of the City.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 17 - NOTES PAYABLE

Changes in short-term obligations of the City for the year ended December 31, 2008, were as follows:

	<u>Principal Outstanding 12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 12/31/08</u>
Governmental Activities:				
2007 Capital Facilities Bond Anticipation Note @ 4.5%	\$242,000	\$0	\$242,000	\$0
2008 Capital Facilities Bond Anticipation Note @ 2.5%	\$0	\$238,000	\$0	\$238,000
Business-Type Activities:				
2007 Bond Anticipation Note @ 4.5%	15,000	0	15,000	0
2008 Bond Anticipation Note @ 3.25%	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total Notes Payable	<u>\$257,000</u>	<u>\$258,000</u>	<u>\$257,000</u>	<u>\$258,000</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.

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 following is a summary of the transfers made during the year:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$685,180
Special Revenue Funds:		
Capital Improvement	9,039	0
Cemetery	168,985	0
Fire Levy	118,078	0
Street	18,078	0
Other Local Funds	<u>371,000</u>	<u>0</u>
Total	<u>\$685,180</u>	<u>\$685,180</u>

Interfund balances at year end consisted of an unpaid advance made from the General Fund to the Marietta Harbor Fund for \$6,890.

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 2008. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

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

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2008, 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 2008, the City of Marietta contributed \$4,746. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008.

B. Litigation

The City of Marietta is not currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the City Law Director.

NOTE 21 - SUBSEQUENT EVENT

The City retired the \$1,208,000 capital facilities bond anticipation note bearing an interest rate of 2.5% on May 20, 2009, and issued a new note for \$970,000.

The City retired the \$415,000 water bond anticipation note bearing an interest rate of 3.25% on May 20, 2009, and issued a new note for \$395,000.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct from Federal Government:</i>			
Community Development Block Grants/Entitlement Grants	B-07-MC-39-0018	14.218	\$375,083
	B-08-MC-39-0018		<u>193,105</u>
Total Community Development Block Grants/Entitlement Grants			568,188
Section 8 Housing Choice Vouchers	N/A	14.871	<u>1,598,628</u>
Total Direct from Federal Government			2,166,816
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants/State's program	A-P-07-289-2	14.228	22,230
HOME Investment Partnerships Program	A-C-06-289-2	14.239	<u>228,591</u>
Total U.S. Department of Housing and Urban Development			2,417,637
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2008VAGENE329	16.575	20,477
	2009VAGENE329		<u>6,144</u>
Total Crime Victim Assistance			26,621
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	2007-WF-VA2-8424	16.588	27,300
Edward Byrne Justice Assistance Formula Grant Program	2007-JG-B01-6554	16.738	<u>43,793</u>
Total U.S. Department of Justice			97,714
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Public Safety:</i>			
Traffic Safety Grants	2008-84-00-00-00403-00	20.600	20,000
	2009-84-00-00-00403-00		<u>3,078</u>
Total U.S. Department of Transportation			23,078
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Health:</i>			
Immunization Grants	08420012IM0108	93.268	<u>25,100</u>
Total U.S. Department of Health and Human Services			<u>25,100</u>
Total Federal Awards Expenditures			<u><u>\$2,563,529</u></u>

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, 2008**

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, 2008, the gross amount of loans outstanding under this program was \$59,665.

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2009. 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 finding 2008-003 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

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 the significant deficiency described above is not a material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated September 14, 2009.

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 2008-001 through 2008-002.

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 14, 2009.

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 14, 2009



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, 2008. 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 2008-005 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, 2008. 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 2008-004. In a separate letter to the City's management dated September 14, 2009, 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 2008-004 and 2008-005 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings, we consider finding 2008-005 to be a material weakness.

We also noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated September 14, 2009.

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 14, 2009

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008**

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

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008
(Continued)**

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

FINDING NUMBER 2008-001

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 commission, and the commission shall certify an amended certificate reflecting the deficiency.

Appropriations were greater than actual resources at December 31, 2008, in the following funds:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
Community Development	\$ 2,217,231	\$ 2,832,156	\$ (614,925)
Wastewater Facilities	71,469	367,836	(296,367)

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 appropriations exceed actual resources, the City should adjust appropriations accordingly.

Officials' Response: The City has begun to monitor estimated and actual revenues for all funds on a regular basis. Numerous corrections were made to estimated revenues on various funds throughout the year.

In the case of Wastewater Facilities, this was not estimating revenues from the issuance of further debt on engineers' study of the wastewater treatment plant update. It in no event would have caused the City to spend money that it did not have.

The Community Development fund structure is complex in nature in that there is a fiscal year that where the resources originate that is different from our calendar year, resources are not approved until well into the federal fiscal year, monies are available to be drawn upon multiple funding years and refunds of projects are to be drawn down before new monies are used. Past errors are being corrected and efforts are being made to repair the remaining errors.

FINDING NUMBER 2008-002

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.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008
(Continued)**

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

FINDING NUMBER 2008-002 (Continued)

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

At May 31, 2008, expenditures exceeded appropriations, as follows:

<u>Fund/Line Item</u>	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
SR 7 TIF/Debt Principal	\$ 242,000	\$ 1,450,000	\$ (1,208,000)
SR 7 TIF/Debt Service Charges	0	4,671	(4,671)
SR 7 TIF/Contratual Services	0	3,064	(3,064)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the City.

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: This was an error of omission in that we reported the net effect of bond repayment rather than a complete payoff and new borrowing. Simply a matter of net accounting effect versus a gross accounting effect and has been corrected.

FINDING NUMBER 2008-003

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2008, 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:

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008
(Continued)**

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

FINDING NUMBER 2008-003 (Continued)

Significant Deficiency (Continued)

Fund	Estimated Receipts Per Budget Commission	Amounts Per City's Reports	Variance
General	\$9,413,329	\$9,448,329	(\$35,000)
Income Tax	522,461	446,906	75,555
Cemetery	214,129	202,797	11,332
Visitors Bureau	260,000	255,194	4,806
Vital Statistics	64,968	54,238	10,730
Tree Planting	11,723	10,319	1,404
Community Development	2,707,722	2,764,171	(56,449)
Marehab	7,685	8,066	(381)
Pools and Spas	2,825	2,677	148
Victim Information	31,135	26,621	4,514
Pike/Acme Street Traffic Signal	15,974	11,359	4,615
SR 7 TIF	2,644,149	1,436,149	1,208,000
Wastewater Facilities	367,836	347,972	19,864

Due to budgetary information being improperly entered into the system, the management of the City was not able to effectively monitor and report its budget vs. actual status throughout the year. In addition, this 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. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: We will institute further measures to change and improve the process of posting of County budget approvals to our budget estimate revenues.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2008-004
CFDA Title and Number	Community Development Block Grants/Entitlement Grants, CFDA #14.218; HOME Investment Partnerships Program, CFDA #14.239; Traffic Safety Grants, CFDA #20.600; Edward Byrne Justice Assistance Formula Grant, CFDA #16.738
Federal Award Number / Year	B-08-MC-39-0018 / 2008 – Community Development Block Grants/Entitlement Grants; A-C-06-289-2 / 2006 – HOME Investment Partnerships; 84-00-00-00403-00 / 2009 – Traffic Safety Grants; JG-B01-6554 / 2007 – Edward Byrne Justice Assistance Formula
Federal Agencies	U.S. Department of Housing and Urban Development; U.S. Department of Justice; U.S. Department of Transportation
Pass-Through Agencies	Direct Award for Community Development Block Grants/Entitlement Grants; Ohio Department of Development; Governor's Office of Criminal Justice Services; Ohio Department of Public Safety

Noncompliance Citation and Significant Deficiency

OMB Circular A-133 §_.310(b) states, in part, that 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.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2008-004 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

The City’s departmental federal schedules, as presented for audit, were not complete or accurate listings of the City’s federal expenditures during 2008. This resulted in numerous audit adjustments to the federal schedule amounting to \$278,338 or 11 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: As stated above, each department should track federal grants more completely and accurately. The City Auditor is undertaking a training session to better explain each department’s responsibilities with regards to grant data collection, retention and reporting.

Finding Number	2008-005
CFDA Title and Number	Section 8 Housing Choice Vouchers, CFDA #14.871
Federal Award Number / Year	2008
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	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.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2008-005 (Continued)

Noncompliance Citation and Material Weakness – Subrecipient Monitoring (Continued)

- (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 2008. The City's Community Development Department performed quarterly site visits in March, June, September and December which consisted of reviewing financial and programmatic records; however, it failed to document their review of financial and performance reports submitted by the subrecipient. There was no monitoring of activities of the sub-recipient to ensure the federal funds were used for authorized purposes as outlined in the laws, regulations and contract agreement and that the performance goals were achieved in accordance with the Annual Public Housing Agency Plan. In addition, the site visit narratives were very general as to what was specifically reviewed. For example, it only indicated general client/agency forms were reviewed, and client files were reviewed. It did not indicate the specific requirements being monitored. Lack of monitoring could lead to violations of federal requirements to be overlooked or undiscovered for an extended period of time.

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 has adopted the recommendations of the State and developed policies and procedures within the Community Development Department to ensure that the grant requirements of the Section 8 Housing Choice Voucher Program are followed by the subrecipient that the City contracts with to administer the program.

The new procedures include requiring that the subrecipient submit financial and performance reports which include a completed HUD Form 52681-B.

The City of Marietta 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, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Rev. Code Section 5705.36(A)(4) – budgeted revenue exceeded actual revenue plus beginning unencumbered cash. Actual disbursements plus outstanding encumbrances as well as appropriations, were greater than actual revenue plus unencumbered cash in several funds.	No	Not Corrected; repeated in the current audit Schedule of Findings as Finding 2008-001.
2007-002	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources in several funds.	No	Partially Corrected; re-issued in the current audit Management Letter.
2007-003	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations in several funds.	No	Partially Corrected; repeated in the current audit Schedule of Findings as Finding 2008-002.
2007-004	Ohio Admin. Code Section 117-2-02(A) – On behalf payments were not booked by the City. Also, accounts receivable was booked at an incorrect amount.	Yes	
2007-005	Significant Deficiency - Estimated receipts approved by the Budget Commission and appropriations approved by City Council did not agree to amounts posted to the City's accounting system	No	Partially Corrected; repeated in the current audit Schedule of Findings as Finding 2008-003.
2007-006	Responsibilities of the Client, Section #6 of the Business Support Services Agreement – failure of City to monitor rates being charged by MED3000. MED 3000 was not charging the correct rates for EMS runs.	Yes	
2007-007	Significant Deficiency – The City did not have a formal capital asset policy.	Yes	
2007-008	OMB Circular A-133 Section .310 (b) for not completing an accurate federal schedule.	No	Not Corrected; repeated in the current audit Schedule of Findings as Finding 2008-004.
2007-009	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 2008-005.



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
OCTOBER 6, 2009