



Mary Taylor, CPA
Auditor of State

**CITY OF MARIETTA
WASHINGTON COUNTY**

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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, 2009, 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, 2009, 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 August 23, 2010, 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 Federal Awards Expenditures Schedule 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 Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

August 23, 2010

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The discussion and analysis of the City of Marietta's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- In total, net assets increased \$66,560. Net assets of governmental activities increased \$204,754, while the business-type activities decreased \$138,194.
- General governmental revenues accounted for \$10,648,338 in revenue or 56% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,301,349 or 44% of total revenues of \$18,949,687.

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 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 2009?" 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 18. 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, 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 2009 compared to 2008.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

(Table 1)
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$10,780,833	\$13,390,783	\$4,948,309	\$4,988,473	\$15,729,142	\$18,379,256
Capital Assets, Net	21,531,223	19,229,350	11,996,644	12,399,356	33,527,867	31,628,706
<i>Total Assets</i>	<u>32,312,056</u>	<u>32,620,133</u>	<u>16,944,953</u>	<u>17,387,829</u>	<u>49,257,009</u>	<u>50,007,962</u>
Liabilities						
Current and Other Liabilities	2,557,199	2,807,113	796,648	617,236	3,353,847	3,424,349
Long-term Liabilities						
Due Within One Year	128,958	82,811	416,151	322,399	545,109	405,210
Due in More Than One Year	2,055,873	2,364,937	5,399,138	5,976,984	7,455,011	8,341,921
<i>Total Liabilities</i>	<u>4,742,030</u>	<u>5,254,861</u>	<u>6,611,937</u>	<u>6,916,619</u>	<u>11,353,967</u>	<u>12,171,480</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	20,244,548	18,190,581	6,483,462	6,439,835	26,728,010	24,630,416
Restricted:						
Street	1,189,724	1,988,208	0	0	1,189,724	1,988,208
Cemetery	15,438	20,983	0	0	15,438	20,983
Community Development	527,492	526,501	0	0	527,492	526,501
Parking	72,910	37,241	0	0	72,910	37,241
Fire Operations	124,594	82,265	0	0	124,594	82,265
Police Operations	96,553	117,368	0	0	96,553	117,368
Court Operations	200,191	193,343	0	0	200,191	193,343
Recreation	639,624	688,323	0	0	639,624	688,323
Health	156,989	142,225	0	0	156,989	142,225
Debt Service	0	0	22,500	22,144	22,500	22,144
Capital Proejcts	2,399,693	2,840,223	0	0	2,399,693	2,840,223
Severance Payments	180,000	180,000	0	0	180,000	180,000
Perpetual Care:						
Expendable	2,655	2,655	0	0	2,655	2,655
Non-expendable	434,947	424,179	0	0	434,947	424,179
Park Non-expendable Trust	1,000	1,000	0	0	1,000	1,000
Unclaimed Monies	23,389	18,666	0	0	23,389	18,666
Other Purposes	34,596	110,316	0	0	34,596	110,316
Unrestricted	1,225,683	1,801,195	3,827,054	4,009,231	5,052,737	5,810,426
<i>Total Net Assets</i>	<u>\$27,570,026</u>	<u>\$27,365,272</u>	<u>\$10,333,016</u>	<u>\$10,471,210</u>	<u>\$37,903,042</u>	<u>\$37,836,482</u>

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Total assets decreased \$750,953, \$308,077 for governmental activities and \$422,876 for business-type activities. Total liabilities decreased \$817,513, \$512,831 for governmental activities and \$304,682 for business-type activities.

For governmental activities, equity in pooled cash and cash equivalents decreased \$1,889,461 due to deficit spending. Capital assets increased \$2,301,873. Accounts payable decreased \$190,867. Intergovernmental payables also decreased \$517,125 due to lower workers' compensation premiums. Long-term liabilities decreased \$262,917.

For business-type activities, capital assets decreased \$402,712. Contracts payable increased \$154,093, while long-term liabilities decreased \$484,094.

Table 2 shows the changes in net assets for the year ended December 31, 2009, and comparisons to 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$2,584,026	\$2,328,944	\$5,482,772	\$5,399,218	\$8,066,798	\$7,728,162
Operating Grants, Contributions and Interest	3,744,760	3,019,464	0	0	3,744,760	3,019,464
Capital Grants and Contributions	1,972,563	227,695	0	50,747	1,972,563	278,442
Total Program Revenues	8,301,349	5,576,103	5,482,772	5,449,965	13,784,121	11,026,068
General Revenues						
Property Taxes	507,344	537,106	0	0	507,344	537,106
Hotel Tax	252,321	255,867	0	0	252,321	255,867
Income Tax	7,793,060	8,092,025	0	0	7,793,060	8,092,025
Payments in Lieu of Taxes	290,271	222,321	0	0	290,271	222,321
Franchise Tax	201,107	185,238	0	0	201,107	185,238
Grants and Entitlements	1,179,422	1,188,823	0	0	1,179,422	1,188,823
Investment Earnings	160,394	300,186	6,885	4,891	167,279	305,077
Gain on Sale of Capital Assets	33,081	37,521	0	1,275	33,081	38,796
Other	231,338	359,225	23,905	17,194	255,243	376,419
Total General Revenues	10,648,338	11,178,312	30,790	23,360	10,679,128	11,201,672
Total Revenues	18,949,687	16,754,415	5,513,562	5,473,325	24,463,249	22,227,740
Program Expenses						
General Government:						
Legislative and Executive	4,042,103	3,733,900	0	0	4,042,103	3,733,900
Court	1,092,132	969,083	0	0	1,092,132	969,083
Security of Persons and Property:						
Police	3,209,309	3,053,326	0	0	3,209,309	3,053,326
Fire	3,519,008	3,222,559	0	0	3,519,008	3,222,559
Public Health Services	851,485	835,679	0	0	851,485	835,679
Community Environment	414,910	753,711	0	0	414,910	753,711
Intergovernmental	1,824,297	1,458,854	0	0	1,824,297	1,458,854
Street	3,107,341	4,170,565	0	0	3,107,341	4,170,565
Transportation	2,210	2,672	0	0	2,210	2,672
Leisure Time Activities	625,865	620,255	0	0	625,865	620,255
Interest and Fiscal Charges	56,273	70,630	0	0	56,273	70,630
Sewer	0	0	2,603,211	2,467,058	2,603,211	2,467,058
Water	0	0	3,048,545	3,125,845	3,048,545	3,125,845
Total Program Expenses	18,744,933	18,891,234	5,651,756	5,592,903	24,396,689	24,484,137
<i>Increase (Decrease) in Net Assets</i>	204,754	(2,136,819)	(138,194)	(119,578)	66,560	(2,256,397)
Net Assets Beginning of Year	27,365,272	29,502,091	10,471,210	10,590,788	37,836,482	40,092,879
Net Assets End of Year	\$27,570,026	\$27,365,272	\$10,333,016	\$10,471,210	\$37,903,042	\$37,836,482

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 revenue represent 41 and 6 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 30 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

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

Security of persons and property is another major activity of the City, generating 36% of the governmental expenses. During 2009, expenses for police and fire operations amounted to \$3,209,309 and \$3,519,008, 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. The operations of the fire department are also being supplemented by the third-party billing.

Street activities of the City accounted for 17% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2009 amounted to \$3,107,341.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2009, the City collected \$83,554 more in charges for services over the previous year but spent \$58,853 more. Nonetheless, the City continues to experience decreases in their net assets.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,862,648 and expenditures of \$21,221,123.

The fund balance of the General Fund decreased \$545,274. The General Fund's Unreserved Fund Balance of \$2,014,286 represented 20% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund decreased \$798,536. The Street Fund's Unreserved Fund Balance of \$975,480 represented 23% of current year expenditures.

The fund balance of the Community Development Fund decreased \$5,658. The Community Development Fund had an unreserved fund balance of \$159,863 at year end. This fund accounts for federal grant monies under the Community Development Block Grant program for projects to improve the community within the City.

City of Marietta, Ohio
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The fund balance of the Capital Improvement Fund decreased \$34,481. The Fund has an unreserved fund balance of \$1,206,401.

The fund balance of the State Route 7 TIF Fund decreased \$80,712. The Fund has an unreserved fund balance of \$237,101.

During 2009, the Sewer Fund had operating revenues of \$2,572,982 and operating expenses of \$2,549,623. The Water Fund had operating revenues of \$2,933,695 and operating expenses of \$2,840,938. 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 2009, 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 \$315,269; various accounts were slightly increased or decreased. Intergovernmental revenues were increased \$444,416 due to actual receipts of inheritance taxes being higher than projected. These monies are uncertain in nature and as such should be projected conservatively. Actual expenditures for the year were closer to the original budgeted amounts than the final budgeted amounts by \$559,209. The original budgeted amounts were increased \$504,402.

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.

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

Capital Assets

Table 3 shows year 2009 balances compared to 2008.

(Table 3)
 Capital Assets at December 31, 2009

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$1,020,544	\$1,033,884	\$447,100	\$447,100	\$1,467,644	\$1,480,984
Buildings and Improvements	5,718,473	5,830,049	143,799	150,073	5,862,272	5,980,122
Machinery and Equipment	1,007,531	1,067,582	427,019	548,498	1,434,550	1,616,080
Vehicles	805,015	886,611	73,506	88,553	878,521	975,164
Infrastructure	6,950,603	7,441,787	9,939,497	10,683,561	16,890,100	18,125,348
Construction in Progress	6,029,057	2,969,437	965,723	481,571	6,994,780	3,451,008
Totals	\$21,531,223	\$19,229,350	\$11,996,644	\$12,399,356	\$33,527,867	\$31,628,706

The City's capital assets for governmental and business-type activities as of December 31, 2009, were \$33,527,867 (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 2009 included \$740,179 for infrastructure improvements, \$4,051,061 for ongoing capital projects, \$182,489 for building improvements, \$180,704 on machinery and equipment, and \$73,889 for three police cruisers. Two vehicles valued at \$29,547 was contributed to the Municipal Court from Washington County.

For business-type activities, major capital asset additions during 2009 included \$710,701 for infrastructure improvements and on-going sewer and water projects.

Note 10 (Capital Assets) provides capital asset activity during 2009.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Debt

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

(Table 4)
 Outstanding Debt, at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
2000 Parking Lot Bonds	\$129,500	\$137,500	\$0	\$0
1999 Third Street Paving OPWC Loan	84,561	102,346	0	0
Capital Facilities Bond				
Anticipation Note:				
Short-term	238,000	238,000	20,000	20,000
Long-term	732,000	970,000	375,000	395,000
Energy Conservation Loan	462,800	514,000	0	0
2003 Water Refunding Bonds	0	0	3,749,922	3,993,393
2007 Sewer OWDA Loan	0	0	289,358	399,969
2002 Sewer OWDA Loan	0	0	346,063	365,235
1996 Water OPWC Loan	0	0	160,000	180,000
2004 Water OPWC Loan	0	0	387,962	409,118
2000 Sewer OPWC Loan	0	0	298,272	320,061
Totals	<u>\$1,646,861</u>	<u>\$1,961,846</u>	<u>\$5,626,577</u>	<u>\$6,082,776</u>

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5% of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2009, is \$24,303,713.

Additional information on the City's debt can be found in Notes 16 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 yearly increase in projected personnel costs are projected at nearly 5% 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.

Income tax receipts have dropped modestly for three straight years and the income tax revenue comprises over one half of the total revenue for the General Fund.

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Measures have been taken to shore up the General Fund and increase the contribution from other funds to the General Fund. These are being more fully implemented based on previous cost allocation studies such as the Maximus Study completed in 2007 and other internal studies of time and materials spent on the production of goods and services to other funds.

The main consumers of General Fund resources are the Water and Sewer Enterprise Funds and the Street Special Revenue Fund. For example, much of the engineering department's time and effort (which is funded through the General Fund) is spent for street projects; therefore, the Street Fund should pay for its costs.

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, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,828,318	\$3,332,657	\$10,160,975
Cash and Cash Equivalents in Segregated Accounts	63,171	163,830	227,001
Cash and Cash Equivalents with Fiscal Agents	0	35,719	35,719
Investments	315,434	100,000	415,434
Hotel Taxes Receivable	15,232	0	15,232
Permissive Motor Vehicle License Receivable	2,735	0	2,735
Accounts Receivable	117,317	1,045,592	1,162,909
Payments in Lieu of Taxes Receivable	216,496	0	216,496
Accrued Interest Receivable	6,327	0	6,327
Intergovernmental Receivable	1,514,265	989	1,515,254
Municipal Income Tax Receivable	973,256	0	973,256
Loans Receivable	53,848	0	53,848
Materials and Supplies Inventory	51,751	83,634	135,385
Prepaid Items	84,290	72,493	156,783
Property Taxes Receivable	538,393	0	538,393
Deferred Charges	0	113,395	113,395
Non-Depreciable Capital Assets	7,049,601	1,412,823	8,462,424
Depreciable Capital Assets, Net	<u>14,481,622</u>	<u>10,583,821</u>	<u>25,065,443</u>
<i>Total Assets</i>	<u>32,312,056</u>	<u>16,944,953</u>	<u>49,257,009</u>
Liabilities			
Accounts Payable	172,692	88,144	260,836
Contracts Payable	187,133	160,216	347,349
Accrued Wages Payable	181,864	46,651	228,515
Retainage Payable	23,262	25,035	48,297
Accrued Interest Payable	16,457	27,585	44,042
Intergovernmental Payable	462,545	67,404	529,949
Vacation and Compensatory Benefits Payable	762,589	171,538	934,127
Deferred Revenue	512,657	0	512,657
Customer Deposits Payable	0	190,075	190,075
Notes Payable	238,000	20,000	258,000
Long-Term Liabilities:			
Due Within One Year	128,958	416,151	545,109
Due In More Than One Year	<u>2,055,873</u>	<u>5,399,138</u>	<u>7,455,011</u>
<i>Total Liabilities</i>	<u>4,742,030</u>	<u>6,611,937</u>	<u>11,353,967</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,244,548	6,483,462	26,728,010
Restricted for:			
Street	1,189,724	0	1,189,724
Cemetery	15,438	0	15,438
Community Development	527,492	0	527,492
Parking	72,910	0	72,910
Fire Operations	124,594	0	124,594
Police Operations	96,553	0	96,553
Court Operations	200,191	0	200,191
Recreation	639,624	0	639,624
Health	156,989	0	156,989
Debt Service	0	22,500	22,500
Capital Projects	2,399,693	0	2,399,693
Severance Payments	180,000	0	180,000
Perpetual Care:			
Expendable	2,655	0	2,655
Non-expendable	434,947	0	434,947
Park - Non-expendable	1,000	0	1,000
Unclaimed Monies	23,389	0	23,389
Other Purposes	34,596	0	34,596
Unrestricted	<u>1,225,683</u>	<u>3,827,054</u>	<u>5,052,737</u>
<i>Total Net Assets</i>	<u>\$27,570,026</u>	<u>\$10,333,016</u>	<u>\$37,903,042</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$4,042,103	\$581,924	\$62,680	\$0
Court	1,092,132	777,904	160,186	29,547
Security of Persons and Property:				
Police	3,209,309	9,945	33,395	0
Fire	3,519,008	477,177	49,228	155,518
Public Health Services	851,485	284,636	71,086	0
Community Environment	414,910	0	415,551	0
Intergovernmental	1,824,297	0	1,964,186	0
Street	3,107,341	42,242	977,948	1,416,834
Transportation	2,210	37,845	0	0
Leisure Time Activities	625,865	372,353	10,500	370,664
Interest and Fiscal Charges	56,273	0	0	0
<i>Total Governmental Activities</i>	18,744,933	2,584,026	3,744,760	1,972,563
Business-Type Activities				
Sewer	2,603,211	2,553,659	0	0
Water	3,048,545	2,929,113	0	0
<i>Total Business-Type Activities</i>	5,651,756	5,482,772	0	0
<i>Total</i>	\$24,396,689	\$8,066,798	\$3,744,760	\$1,972,563

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 - Restated (See Note 4)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,397,499)	\$0	(\$3,397,499)
(124,495)	0	(124,495)
(3,165,969)	0	(3,165,969)
(2,837,085)	0	(2,837,085)
(495,763)	0	(495,763)
641	0	641
139,889	0	139,889
(670,317)	0	(670,317)
35,635	0	35,635
127,652	0	127,652
(56,273)	0	(56,273)
(10,443,584)	0	(10,443,584)
0	(49,552)	(49,552)
0	(119,432)	(119,432)
0	(168,984)	(168,984)
(10,443,584)	(168,984)	(10,612,568)
491,466	0	491,466
15,878	0	15,878
5,618,736	0	5,618,736
869,730	0	869,730
869,730	0	869,730
434,864	0	434,864
290,271	0	290,271
252,321	0	252,321
201,107	0	201,107
1,179,422	0	1,179,422
160,394	6,885	167,279
33,081	0	33,081
231,338	23,905	255,243
10,648,338	30,790	10,679,128
204,754	(138,194)	66,560
27,365,272	10,471,210	37,836,482
<u>\$27,570,026</u>	<u>\$10,333,016</u>	<u>\$37,903,042</u>

City of Marietta, Ohio
Balance Sheet
Governmental Funds
December 31, 2009

	General	Street	Community Development	Capital Improvement	State Route 7 TIF	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$1,602,119	\$861,776	\$35,620	\$1,500,363	\$478,737	\$2,326,314	\$6,804,929
Cash and Cash Equivalents in Segregated Accounts	41,081	0	0	0	0	22,090	63,171
Restricted Cash	23,389	0	0	0	0	0	23,389
Investments	0	0	0	0	0	315,434	315,434
Receivables:							
Hotel Taxes	15,232	0	0	0	0	0	15,232
Permissive Motor Vehicle License Accounts	0 79,497	2,735 0	0 0	0 0	0 0	0 37,820	2,735 117,317
Payments in Lieu of Taxes	0	0	0	0	216,496	0	216,496
Accrued Interest	4,103	286	0	0	0	1,938	6,327
Interfund	6,890	0	0	0	0	0	6,890
Municipal Income Tax	701,162	108,838	0	54,418	0	108,838	973,256
Loans	0	0	0	0	0	53,848	53,848
Property Taxes	521,973	0	0	0	0	16,420	538,393
Intergovernmental	569,923	359,371	414,684	9,724	0	160,563	1,514,265
Materials and Supplies Inventory	24,188	27,563	0	0	0	0	51,751
Prepaid Items	65,801	7,025	711	0	0	10,753	84,290
<i>Total Assets</i>	<u>\$3,655,358</u>	<u>\$1,367,594</u>	<u>\$451,015</u>	<u>\$1,564,505</u>	<u>\$695,233</u>	<u>\$3,054,018</u>	<u>\$10,787,723</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$142,140	\$17,976	\$754	\$5,266	\$0	\$6,556	\$172,692
Contracts Payable	0	11,046	0	67,889	0	108,198	187,133
Accrued Wages Payable	139,113	13,749	939	0	0	28,063	181,864
Retainage Payable	0	0	0	0	0	23,262	23,262
Accrued Interest Payable	0	0	0	0	3,636	0	3,636
Intergovernmental Payable	366,101	23,951	3,878	0	0	68,615	462,545
Deferred Revenue	913,051	244,314	239,682	7,591	216,496	148,627	1,769,761
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>1,560,405</u>	<u>311,036</u>	<u>245,253</u>	<u>80,746</u>	<u>458,132</u>	<u>390,211</u>	<u>3,045,783</u>
Fund Balances							
Reserved for Encumbrances	57,278	81,078	45,899	277,358	0	1,429,555	1,891,168
Reserved for Loans	0	0	0	0	0	48,526	48,526
Reserved for Endowments	0	0	0	0	0	433,961	433,961
Reserved for Unclaimed Monies	23,389	0	0	0	0	0	23,389
Unreserved, Undesignated, Reported in:							
General Fund	2,014,286	0	0	0	0	0	2,014,286
Special Revenue Funds	0	975,480	159,863	0	0	241,930	1,377,273
Permanent Funds	0	0	0	0	0	4,641	4,641
Capital Projects Funds	0	0	0	1,206,401	237,101	505,194	1,948,696
<i>Total Fund Balances</i>	<u>2,094,953</u>	<u>1,056,558</u>	<u>205,762</u>	<u>1,483,759</u>	<u>237,101</u>	<u>2,663,807</u>	<u>7,741,940</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,655,358</u>	<u>\$1,367,594</u>	<u>\$451,015</u>	<u>\$1,564,505</u>	<u>\$695,233</u>	<u>\$3,054,018</u>	<u>\$10,787,723</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, 2009*

Total Governmental Fund Balances \$7,741,940

*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. 21,531,223

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

Investment Earnings	1,388	
Property Taxes	25,736	
Charges for Services	43,224	
Estate Taxes	64,695	
Municipal Income Tax	139,822	
Payments in Lieu of Taxes	216,496	
Intergovernmental Revenues	765,743	
Total	1,257,104	1,257,104

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

Bonds Payable	(129,500)	
Accrued Interest Payable	(12,821)	
Loans Payable	(547,361)	
Notes Payable	(732,000)	
Compensated Absences Payable - Sick Leave	(775,970)	
Vacation and Compensatory Benefits Payable	(762,589)	
Total	(2,960,241)	(2,960,241)

Net Assets of Governmental Activities **\$27,570,026**

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, 2009

	General	Street	Community Development	Capital Improvement	State Route 7 TIF	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$487,772	\$0	\$0	\$0	\$0	\$15,878	\$503,650
Hotel Tax	252,321	0	0	0	0	0	252,321
Permissive Motor Vehicle License	0	34,242	0	0	0	0	34,242
Municipal Income Tax	5,597,840	865,547	0	432,772	0	865,547	7,761,706
Payments in Lieu of Taxes	73,775	0	0	0	218,464	0	292,239
Charges for Services	833,700	8,000	0	0	0	812,514	1,654,214
Fines, Licenses and Permits	504,279	0	0	0	0	372,762	877,041
Franchise Tax	201,107	0	0	0	0	0	201,107
Intergovernmental	1,151,858	2,367,265	2,296,527	283,913	0	728,378	6,827,941
Investment Earnings	153,265	20,151	0	0	7,129	27,714	208,259
Donations	0	0	0	5,000	0	2,625	7,625
Rent	10,965	0	0	0	0	0	10,965
Other	43,913	148,140	8,904	200	0	30,181	231,338
<i>Total Revenues</i>	<u>9,310,795</u>	<u>3,443,345</u>	<u>2,305,431</u>	<u>721,885</u>	<u>225,593</u>	<u>2,855,599</u>	<u>18,862,648</u>
Expenditures							
Current:							
General Government:							
Legislative and Executive	3,445,264	0	0	0	0	137,469	3,582,733
Court	767,815	0	0	0	0	234,811	1,002,626
Security of Persons and Property:							
Police	2,987,358	0	0	0	0	82,305	3,069,663
Fire	2,076,408	0	0	0	0	1,084,345	3,160,753
Public Health Services	425,816	0	0	0	0	418,279	844,095
Community Environment	0	0	486,792	0	0	83,964	570,756
Street	0	4,222,138	0	0	0	0	4,222,138
Transportation	0	0	0	0	0	2,176	2,176
Leisure Time Activities	0	0	0	0	0	689,005	689,005
Capital Outlay	0	0	0	756,366	31,688	1,089,511	1,877,565
Intergovernmental	0	0	1,824,297	0	0	0	1,824,297
Debt Service:							
Principal Retirement	51,200	17,785	0	0	0	8,000	76,985
Current Refunding	0	0	0	0	238,000	0	238,000
Interest and Fiscal Charges	13,878	1,958	0	0	36,617	7,878	60,331
<i>Total Expenditures</i>	<u>9,767,739</u>	<u>4,241,881</u>	<u>2,311,089</u>	<u>756,366</u>	<u>306,305</u>	<u>3,837,743</u>	<u>21,221,123</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(456,944)</u>	<u>(798,536)</u>	<u>(5,658)</u>	<u>(34,481)</u>	<u>(80,712)</u>	<u>(982,144)</u>	<u>(2,358,475)</u>
Other Financing Sources (Uses)							
Proceeds from Sale of Capital Assets	50,655	0	0	0	0	0	50,655
Notes Issued	0	0	0	0	732,000	0	732,000
Transfers In	0	0	0	0	0	138,985	138,985
Current Refunding	0	0	0	0	(732,000)	0	(732,000)
Transfers Out	(138,985)	0	0	0	0	0	(138,985)
<i>Total Other Financing Sources (Uses)</i>	<u>(88,330)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>138,985</u>	<u>50,655</u>
<i>Net Change in Fund Balances</i>	<u>(545,274)</u>	<u>(798,536)</u>	<u>(5,658)</u>	<u>(34,481)</u>	<u>(80,712)</u>	<u>(843,159)</u>	<u>(2,307,820)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 4)</i>	<u>2,640,227</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>10,049,760</u>
<i>Fund Balances End of Year</i>	<u>\$2,094,953</u>	<u>\$1,056,558</u>	<u>\$205,762</u>	<u>\$1,483,759</u>	<u>\$237,101</u>	<u>\$2,663,807</u>	<u>\$7,741,940</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, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$2,307,820)

***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	4,236,881	
Capital Contributions	29,547	
Depreciation	<u>(1,946,981)</u>	
Excess of Depreciation Expense Over Capital Outlay		2,319,447

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. (17,574)

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

Investment Earnings	442	
Property Taxes	3,694	
Municipal Income Tax	31,354	
Payments in Lieu of Taxes	(1,968)	
Intergovernmental Revenues	(35,477)	
Estate Taxes	18,802	
Miscellaneous Revenues	(1,061)	
Charges for Services	<u>8,625</u>	
Total		24,411

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. 4,058

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. 238,000

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>68,985</u>	
Total		76,985

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	(52,068)	
Compensated Absences Payable - Sick Leave	<u>(80,685)</u>	
Total		<u>(132,753)</u>

Change in Net Assets of Governmental Activities \$204,754

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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$606,745	\$487,772	\$487,772	\$0
Hotel Tax	250,000	252,832	252,832	0
Municipal Income Tax	5,868,666	5,698,164	5,698,164	0
Payments in Lieu of Taxes	66,891	73,775	73,775	0
Charges for Services	472,987	845,752	845,752	0
Fines, Licenses and Permits	538,500	497,755	497,755	0
Franchise Tax	192,000	191,498	191,498	0
Intergovernmental	675,468	1,119,884	1,119,884	0
Investment Earnings	300,000	161,708	161,708	0
Rent	8,000	10,965	10,965	0
Other	78,055	32,476	39,220	6,744
<i>Total Revenues</i>	9,057,312	9,372,581	9,379,325	6,744
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,533,753	3,932,601	3,684,825	247,776
Court	745,708	773,401	750,340	23,061
Security of Persons and Property:				
Police	3,209,333	3,209,332	3,023,548	185,784
Fire	2,156,214	2,162,059	2,098,213	63,846
Public Health Services	460,754	460,754	428,951	31,803
Debt Service:				
Principal	0	51,200	51,200	0
Interest and Fiscal Charges	0	20,817	13,878	6,939
<i>Total Expenditures</i>	10,105,762	10,610,164	10,050,955	559,209
<i>Excess of Revenues Under Expenditures</i>	(1,048,450)	(1,237,583)	(671,630)	565,953
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	9,271	50,655	50,655	0
Advances In	0	395,000	395,000	0
Advances Out	0	(395,000)	(395,000)	0
Transfers Out	(138,985)	(138,985)	(138,985)	0
<i>Total Other Financing Sources (Uses)</i>	(129,714)	(88,330)	(88,330)	0
<i>Net Change in Fund Balance</i>	(1,178,164)	(1,325,913)	(759,960)	565,953
<i>Fund Balance Beginning of Year</i>	2,204,617	2,204,617	2,204,617	0
Prior Year Encumbrances Appropriated	84,827	84,827	84,827	0
<i>Fund Balance End of Year</i>	\$1,111,280	\$963,531	\$1,529,484	\$565,953

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Permissive Motor Vehicle License Tax	\$26,189	\$34,343	\$34,343	\$0
Municipal Income Tax	908,260	872,710	872,710	0
Charges for Services	0	8,000	8,000	0
Intergovernmental	745,811	1,259,612	2,368,674	1,109,062
Investment Earnings	53,500	21,286	21,286	0
Other	8,484	154,595	147,851	(6,744)
<i>Total Revenues</i>	<u>1,742,244</u>	<u>2,350,546</u>	<u>3,452,864</u>	<u>1,102,318</u>
Expenditures				
Current:				
Street	3,156,018	3,679,569	4,520,885	(841,316)
Debt Service:				
Principal Retirement	17,785	17,785	17,785	0
Interest and Fiscal Charges	1,958	1,958	1,958	0
<i>Total Expenditures</i>	<u>3,175,761</u>	<u>3,699,312</u>	<u>4,540,628</u>	<u>(841,316)</u>
<i>Net Change in Fund Balance</i>	(1,433,517)	(1,348,766)	(1,087,764)	261,002
<i>Fund Balance Beginning of Year</i>	1,085,467	1,085,467	1,085,467	0
Prior Year Encumbrances Appropriated	<u>769,883</u>	<u>769,883</u>	<u>769,883</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$421,833</u>	<u>\$506,584</u>	<u>\$767,586</u>	<u>\$261,002</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Intergovernmental	\$1,938,370	\$2,672,056	\$2,356,139	(\$315,917)
Other	0	8,904	8,904	0
<i>Total Revenues</i>	<u>1,938,370</u>	<u>2,680,960</u>	<u>2,365,043</u>	<u>(315,917)</u>
Expenditures				
Current:				
Community Environment	725,089	671,617	580,150	91,467
Intergovernmental	1,500,000	1,850,000	1,824,297	25,703
<i>Total Expenditures</i>	<u>2,225,089</u>	<u>2,521,617</u>	<u>2,404,447</u>	<u>117,170</u>
<i>Net Change in Fund Balance</i>	(286,719)	159,343	(39,404)	(198,747)
<i>Fund Balance (Deficit) Beginning of Year</i>	(104,705)	(104,705)	(104,705)	0
Prior Year Encumbrances Appropriated	<u>133,686</u>	<u>133,686</u>	<u>133,686</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$257,738)</u></u>	<u><u>\$188,324</u></u>	<u><u>(\$10,423)</u></u>	<u><u>(\$198,747)</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2009

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$2,407,263	\$836,439	\$3,243,702
Cash and Cash Equivalents in Segregated Accounts	69,943	92,767	162,710
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	528,817	516,775	1,045,592
Intergovernmental Receivable	468	521	989
Materials and Supplies Inventory	4,381	79,253	83,634
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agents	0	35,309	35,309
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	43,588	45,367	88,955
Cash and Cash Equivalents in Segregated Accounts	549	571	1,120
Investments	49,000	51,000	100,000
Prepaid Items	33,608	38,885	72,493
<i>Total Current Assets</i>	<u>3,137,617</u>	<u>1,697,297</u>	<u>4,834,914</u>
Noncurrent:			
Deferred Charges	0	113,395	113,395
Non-Depreciable Capital Assets	1,014,841	397,982	1,412,823
Depreciable Capital Assets, Net	6,097,343	4,486,478	10,583,821
<i>Total Noncurrent Assets</i>	<u>7,112,184</u>	<u>4,997,855</u>	<u>12,110,039</u>
<i>Total Assets</i>	<u>10,249,801</u>	<u>6,695,152</u>	<u>16,944,953</u>
Liabilities			
Current:			
Accounts Payable	33,893	54,251	88,144
Contracts Payable	156,530	3,686	160,216
Accrued Wages Payable	22,673	23,978	46,651
Retainage Payable	23,192	1,843	25,035
Intergovernmental Payable	32,329	35,075	67,404
Vacation and Compensatory Benefits Payable	76,234	95,304	171,538
Accrued Interest Payable	8,332	19,253	27,585
Notes Payable	0	20,000	20,000
Refunding Bonds Payable	0	270,000	270,000
Issue II Loans Payable	11,058	20,737	31,795
OWDA Loans Payable	114,356	0	114,356
<i>Total Current Liabilities</i>	<u>478,597</u>	<u>544,127</u>	<u>1,022,724</u>
Long-Term:			
Customer Deposits Payable from Restricted Assets	93,137	96,938	190,075
Compensated Absences Payable	51,889	156,823	208,712
Notes Payable	0	375,000	375,000
Refunding Bonds Payable	0	3,479,922	3,479,922
Issue II Loans Payable	287,214	527,225	814,439
OWDA Loans Payable	521,065	0	521,065
<i>Total Long-Term Liabilities</i>	<u>953,305</u>	<u>4,635,908</u>	<u>5,589,213</u>
<i>Total Liabilities</i>	<u>1,431,902</u>	<u>5,180,035</u>	<u>6,611,937</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,178,491	304,971	6,483,462
Restricted for Debt Service	0	22,500	22,500
Unrestricted	2,639,408	1,187,646	3,827,054
<i>Total Net Assets</i>	<u>\$8,817,899</u>	<u>\$1,515,117</u>	<u>\$10,333,016</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, 2009*

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$2,553,659	\$2,929,113	\$5,482,772
Other Operating Revenues	19,323	4,582	23,905
<i>Total Operating Revenues</i>	<u>2,572,982</u>	<u>2,933,695</u>	<u>5,506,677</u>
Operating Expenses			
Salaries and Wages	779,071	822,846	1,601,917
Fringe Benefits	416,567	435,375	851,942
Contractual Services	634,303	632,017	1,266,320
Materials and Supplies	209,765	318,541	528,306
Other Operating Expenses	24,334	68,896	93,230
Depreciation	485,583	563,263	1,048,846
<i>Total Operating Expenses</i>	<u>2,549,623</u>	<u>2,840,938</u>	<u>5,390,561</u>
<i>Operating Income</i>	<u>23,359</u>	<u>92,757</u>	<u>116,116</u>
Non-Operating Revenues (Expenses)			
Investment Earnings	0	6,885	6,885
Loss on Sale of Capital Assets	(993)	0	(993)
Interest and Fiscal Charges	(52,595)	(207,607)	(260,202)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(53,588)</u>	<u>(200,722)</u>	<u>(254,310)</u>
<i>Change in Net Assets</i>	(30,229)	(107,965)	(138,194)
<i>Net Assets Beginning of Year</i>	<u>8,848,128</u>	<u>1,623,082</u>	<u>10,471,210</u>
<i>Net Assets End of Year</i>	<u>\$8,817,899</u>	<u>\$1,515,117</u>	<u>\$10,333,016</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, 2009

	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,550,327	\$2,988,980	\$5,539,307
Cash Payments for Employee Services and Benefits	(1,198,657)	(1,305,683)	(2,504,340)
Cash Payments to Suppliers for Goods and Services	(839,251)	(934,595)	(1,773,846)
Other Operating Revenues	18,855	4,061	22,916
Other Operating Expenses	(25,372)	(69,926)	(95,298)
Customer Deposits Received	19,031	19,808	38,839
Customer Deposits Returned	(16,161)	(16,822)	(32,983)
	<u>508,772</u>	<u>685,823</u>	<u>1,194,595</u>
<i>Net Cash Provided by Operating Activities</i>			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(447,401)	(20,937)	(468,338)
Proceeds from Sale of Bond Anticipation Notes	0	395,000	395,000
Loan Proceeds	93,458	0	93,458
Principal Paid on Debt	(245,030)	(716,156)	(961,186)
Interest Paid on Debt	(52,595)	(186,001)	(238,596)
	<u>(651,568)</u>	<u>(528,094)</u>	<u>(1,179,662)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>			
Cash Flows from Investing Activities:			
Investment Earnings	0	6,885	6,885
	<u>0</u>	<u>6,885</u>	<u>6,885</u>
<i>Net Cash Provided by Investing Activities</i>			
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>			
	(142,796)	164,614	21,818
<i>Cash and Cash Equivalents Beginning of Year</i>			
	<u>2,664,139</u>	<u>846,249</u>	<u>3,510,388</u>
<i>Cash and Cash Equivalents End of Year</i>			
	<u>\$2,521,343</u>	<u>\$1,010,863</u>	<u>\$3,532,206</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
<i>Operating Income</i>	\$23,359	\$92,757	\$116,116
Adjustments:			
Depreciation	485,583	563,263	1,048,846
(Increase)/Decrease in Assets:			
Accounts Receivable	(3,332)	59,867	56,535
Intergovernmental Receivable	(468)	(521)	(989)
Materials and Supplies Inventory	3,995	(4,862)	(867)
Prepaid Items	(2,981)	424	(2,557)
Increase/(Decrease) in Liabilities:			
Accounts Payable	4,272	20,544	24,816
Accrued Wages Payable	2,744	427	3,171
Intergovernmental Payable	(10,002)	(14,132)	(24,134)
Vacation and Compensatory Benefits Payable	290	(4,593)	(4,303)
Customer Deposits Payable	2,870	2,986	5,856
Compensated Absences Payable	2,442	(30,337)	(27,895)
	<u>\$508,772</u>	<u>\$685,823</u>	<u>\$1,194,595</u>
<i>Net Cash Provided by Operating Activities</i>			

City of Marietta, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2009

Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,833
Cash and Cash Equivalents in Segregated Accounts	117,755
Hotel Taxes Receivable	15,232
Accounts Receivable	<u>1,120,412</u>
<i>Total Assets</i>	<u><u>\$1,266,232</u></u>
Liabilities	
Intergovernmental Payable	\$106,009
Due to Others	<u>1,160,223</u>
<i>Total Liabilities</i>	<u><u>\$1,266,232</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, 2009

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Report Entity

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

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

The following have been excluded from the financial reporting entity:

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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 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, 2009

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, 2009

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, 2009, but which were levied to finance year 2010 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, 2009

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 2009, 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 2009 amounted to \$153,265, which includes \$134,041 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, 2009

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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 five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<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.

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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.

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.

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

P. Interfund Activity

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

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

Q. Interfund Assets and Liabilities

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

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence.

U. 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, 2009

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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).
5. 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	(\$545,274)	(\$798,536)	(\$5,658)
Net Adjustment for Revenue Accruals	66,259	8,356	59,612
Beginning 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
End of Year:			
Unrecorded Cash	(20,170)	0	0
Unrecorded Interest	(3,800)	(838)	0
Prepaid Items	(65,801)	(7,025)	(711)
Segregated Accounts	(41,081)	0	0
Net Adjustment for Expenditure Accruals	(230,462)	(208,059)	(47,334)
Advances In	395,000	0	0
Advances Out	(395,000)	0	0
Encumbrances	(72,054)	(93,352)	(46,043)
Budget Basis	<u>(\$759,960)</u>	<u>(\$1,087,764)</u>	<u>(\$39,404)</u>

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

A. Changes in Accounting Principles

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

B. Restatement of Prior Year Balances

Net assets were restated as follows:

	Governmental Activities	General Fund
Net Assets/Fund Balance as Previously Reported	\$28,275,659	\$2,272,605
Intergovernmental Payable	367,622	367,622
Payments in Lieu of Taxes Receivable	(1,201,559)	0
Intergovernmental Receivable	(76,450)	0
Net Assets/Fund Balance - December 31, 2008	\$27,365,272	\$2,640,227

In prior years, based upon GASB guidance, tax increment financing arrangements were to be treated as exchange transactions and a receivable was recognized for the full amount of the tax increment financing in the year in which the agreement was entered into. GASB has now indicated that the tax increment financing agreements are imposed non-exchange transactions rather than exchange transactions. The intergovernmental payable related to these transactions was also restated. During 2009, the City also discovered that intergovernmental receivables were overstated.

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, 2009. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficit will be eliminated.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

B. Statutory Compliance

The following accounts had expenditures in excess of final appropriations for the year ended December 31, 2009:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Excess</u>
Street Special Revenue Fund:			
Street Program			
Capital Outlay	\$3,679,569	\$4,520,885	(\$841,316)

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

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury 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;

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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.

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 \$10,967,577 and the bank balance was \$11,584,557. Of the bank balance, \$1,891,803 was covered by Federal depository insurance and \$9,692,754 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 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

City of Marietta, Ohio
Notes to the Basic Financial Statements
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The full tax rate for all City operations for the year ended December 31, 2009, was \$2.40 per \$1,000 of assessed value. The assessed values of real property, public utility tangible property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$236,049,340
Public Utility Property	<u>6,691,360</u>
	<u><u>\$242,740,700</u></u>

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 and public utility taxes which are measurable as of December 31, 2009, 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 2009 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 a receivable and revenue while the remainder of the receivable is deferred.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2009, 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 \$53,848. 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 \$48,526.

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 \$216,496, which represents amounts to be received by the City in 2010.

A summary of the principal items of intergovernmental receivables follows:

City of Marietta, Ohio
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For the Year Ended December 31, 2009

Governmental Activities:	<u>Amount</u>
Gasoline Tax and Motor Vehicle License	\$357,634
Community Development Block Grant	267,914
Estate Taxes	258,780
Local Government	254,944
Housing Urban Development	139,889
Community Corrections Grant	74,449
Homestead and Rollback	29,574
American Recovery and Reinvestment Act Monies	28,279
Victims Informaion Program	20,270
Nature Works Grants	15,881
Utilities Income Tax	12,310
Tax Reimbursements	8,755
DARE	8,215
Stop Violence Against Women Grant	7,953
Indigent Alcohol	6,172
Other	5,559
Appalachian Regional Commion Grant	5,292
Health Subsidy	4,166
Children with Medical Handicaps Reimbursements	4,060
Medicaid	3,869
Immobilization Fees	300
	<u>1,514,265</u>
Business-Type Activities:	
Other	<u>989</u>
 Total Receivable	 <u><u>\$1,515,254</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, 2009

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/08	Increases	Decreases	Balance 12/31/09
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,033,884	\$0	\$13,340	\$1,020,544
Construction in Progress	2,969,437	4,051,061	991,441	6,029,057
Total Capital Assets not being Depreciated	<u>4,003,321</u>	<u>4,051,061</u>	<u>1,004,781</u>	<u>7,049,601</u>
Capital Assets being Depreciated:				
Buildings and Improvements	9,372,112	182,489	0	9,554,601
Machinery and Equipment	4,383,090	180,704	12,702	4,551,092
Vehicles	3,324,816	103,436	66,517	3,361,735
Infrastructure	28,009,808	740,179	0	28,749,987
Total Capital Assets being Depreciated	<u>45,089,826</u>	<u>1,206,808</u>	<u>79,219</u>	<u>46,217,415</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,542,063)	(294,065)	0	(3,836,128)
Machinery and Equipment	(3,315,508)	(236,521)	(8,468)	(3,543,561)
Vehicles	(2,438,205)	(185,032)	(66,517)	(2,556,720)
Infrastructure	(20,568,021)	(1,231,363)	0	(21,799,384)
Total Accumulated Depreciation	<u>(29,863,797)</u>	<u>(1,946,981) *</u>	<u>(74,985)</u>	<u>(31,735,793)</u>
Total Capital Assets being Depreciated, Net	<u>15,226,029</u>	<u>(740,173)</u>	<u>4,234</u>	<u>14,481,622</u>
Governmental Activities Capital Assets, Net	<u>\$19,229,350</u>	<u>\$3,310,888</u>	<u>\$1,009,015</u>	<u>\$21,531,223</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$139,838
General Government - Court	77,586
Security of Persons and Property:	
Police	84,560
Fire	140,545
Public Health Services	15,908
Community Environment	2,521
Street	1,299,225
Transportation	34
Leisure Time Activities	186,764
Total Depreciation Expense	<u>\$1,946,981</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Balance 12/31/08	Increases	Decreases	Balance 12/31/09
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$447,100	\$0	\$0	\$447,100
Construction in Progress	481,571	547,726	63,574	965,723
Total Capital Assets not being Depreciated	<u>928,671</u>	<u>547,726</u>	<u>63,574</u>	<u>1,412,823</u>
Capital Assets being Depreciated:				
Buildings and Improvements	306,893	0	0	306,893
Machinery and Equipment	2,015,136	0	8,091	2,007,045
Vehicles	685,400	0	0	685,400
Infrastructure	55,154,896	162,975	0	55,317,871
Total Capital Assets being Depreciated	<u>58,162,325</u>	<u>162,975</u>	<u>8,091</u>	<u>58,317,209</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(156,820)	(6,274)	0	(163,094)
Machinery and Equipment	(1,466,638)	(120,486)	(7,098)	(1,580,026)
Vehicles	(596,847)	(15,047)	0	(611,894)
Infrastructure	(44,471,335)	(907,039)	0	(45,378,374)
Total Accumulated Depreciation	<u>(46,691,640)</u>	<u>(1,048,846)</u>	<u>(7,098)</u>	<u>(47,733,388)</u>
Total Capital Assets being Depreciated, Net	<u>11,470,685</u>	<u>(885,871)</u>	<u>993</u>	<u>10,583,821</u>
Business-Type Activities Capital Assets, Net	<u>\$12,399,356</u>	<u>(\$338,145)</u>	<u>\$64,567</u>	<u>\$11,996,644</u>

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with Barengo Insurance Agency who, on behalf of the City, negotiates property and casualty insurance coverage with various carriers. U.S. Specialty is the carrier providing commercial general liability insurance, which has a \$1,000,000 per occurrence limit with an additional \$6,000,000 in umbrella liability coverage. CNA Insurance Companies is the carrier providing property coverage for the City. Travelers Insurance Company carries the computer and crime coverage. The following lists the coverage limits and deductibles:

<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real and Personal Property	\$93,716,691	\$1,000	
Boiler and Machinery	93,716,691	1,000	
	<u>Limit (Per</u>	<u>Aggregate</u>	<u>Deductible</u>
<u>Liability</u>	<u>Occurrence)</u>		
Commercial General	\$1,000,000	\$3,000,000	\$1,000
Employee Benefits	1,000,000	3,000,000	1,000
Employer Liability	1,000,000	1,000,000	0
Public Officials Wrongful Acts	1,000,000	1,000,000	5,000
Law Enforcement	1,000,000	1,000,000	5,000
Employment Practices	1,000,000	1,000,000	5,000

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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, OH 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, 2009, the 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 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009, this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007, were \$439,234, \$337,500, and \$426,893 respectively; 90 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$2,439 made by the City and \$1,742 made by the plan members.

City of Marietta, Ohio
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For the Year Ended December 31, 2009

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.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$211,792 and \$332,018 for the year ended December 31, 2009, \$213,267 and \$311,758 for the year ended December 31, 2008, and \$200,840 and \$322,895 for the year ended December 31, 2007. 74 percent has been contributed for police and 73 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS 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 2009, state and local government employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007, were \$284,210, \$337,500, and \$287,090 respectively; 90 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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 – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, 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 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$112,125 and \$129,920 for the year ended December 31, 2009, \$112,906 and \$121,992 for the year ended December 31, 2008, and \$120,764 and \$139,536 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 74 percent has been contributed for police and 73 percent has been contributed for firefighters for 2009.

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 Hartford Life Insurance.

The City provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis and are paid 100% by the City. Rates are \$229.10 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.

City of Marietta, Ohio
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For the Year Ended December 31, 2009

If hired after January 1, 1991, firemen whose employment with the City is terminated either by retirement or after twelve years of consecutive employment by the City, are paid fifty percent of their accumulated sick leave up to a maximum 120 days accumulation. Teamsters hired prior to January 1, 1992, are paid 100% of their sick leave at the time of retirement up to a maximum of 120 days accumulation. Teamsters hired after January 1, 1992, are paid fifty percent of their sick leave at the time of retirement up to a maximum of 120 days accumulation. Upon voluntary termination, death, or retirement, all employees will receive 100% of vacation earned and not previously taken.

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2009, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

City of Marietta, Ohio
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For the Year Ended December 31, 2009

	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Remaining on Contracts</u>
<u>Capital Asset Projects:</u>			
<i>LED Signal Head Retrofit:</i>			
Street Fund	\$212,732	\$210,782	\$1,950
<i>Armory Square:</i>			
Street Fund	10,000	10,000	0
Armory Fund	644,130	314,507	329,623
	<u>654,130</u>	<u>324,507</u>	<u>329,623</u>
<i>Energy Conservation:</i>			
Energy Conservation Fund	540,819	509,386	31,433
<i>State Route 60 Widening:</i>			
Street Fund	738,170	274,901	463,269
<i>Justice Center:</i>			
Court Capital Improvement Fund	1,770,073	1,730,119	39,954
Capital Improvement Fund	4,249	4,249	0
	<u>1,774,322</u>	<u>1,734,368</u>	<u>39,954</u>
<i>Riverfront Trail Phase II:</i>			
Street Fund	1,247,883	999,432	248,451
Community Development Fund	137,163	137,163	0
	<u>1,385,046</u>	<u>1,136,595</u>	<u>248,451</u>
<i>State Route 26 Resurfacing:</i>			
Street Fund	1,739,242	162,122	1,577,120
<i>3rd and Putnam Street Intersection Safety Study:</i>			
Street Fund	7,000	372	6,628
<i>Sewer Pumping Station Controller Improvements:</i>			
Sewer Fund	15,173	7,586	7,587
<i>Mound Cemetery Fence:</i>			
Capital Improvements Fund	225,900	0	225,900
<i>Waste Water Treatment Plant Upgrade:</i>			
Sewer Fund	1,189,060	917,294	271,766
<i>Interceptor Well Improvements:</i>			
Water Fund	16,000	6,333	9,667
<i>Sunset Lane Water Main Upgrade:</i>			
Water Fund	32,568	5,529	27,039
Total All Projects	<u><u>\$8,530,162</u></u>	<u><u>\$5,289,775</u></u>	<u><u>\$3,240,387</u></u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2009, were as follows:

	Principal Outstanding 12/31/08	Additions	Deletions	Principal Outstanding 12/31/09	Amounts Due in One Year
Governmental Activities:					
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	\$137,500	\$0	\$8,000	\$129,500	\$9,000
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	102,346	0	17,785	84,561	9,026
2009 Capital Facilities Bond					
Anticipation Note @ 2.5%	0	732,000	0	732,000	0
2008 Capital Facilities Bond					
Anticipation Note @ 2.5%	970,000	0	970,000	0	0
Energy Conservation Loan @ 2.7%	514,000	0	51,200	462,800	52,600
Compensated Absences - Sick Leave	723,902	67,265	15,197	775,970	58,332
Total Governmental Activities	<u>\$2,447,748</u>	<u>\$799,265</u>	<u>\$1,062,182</u>	<u>\$2,184,831</u>	<u>\$128,958</u>
Business-Type Activities:					
<u>Bonds:</u>					
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	\$4,200,000	\$0	\$260,000	\$3,940,000	\$270,000
Bond Discount	(6,601)	0	(528)	(6,073)	0
Deferred Amount on Refunding	(200,006)	0	(16,001)	(184,005)	0
Total Water Refunding Bonds	<u>3,993,393</u>	<u>0</u>	<u>243,471</u>	<u>3,749,922</u>	<u>270,000</u>
<u>Notes:</u>					
2009 Bond Anticipation Note @ 2.5%	0	375,000	0	375,000	0
2008 Bond Anticipation Note @ 3.25%	395,000	0	395,000	0	0
Total Bond Anticipation Notes	<u>395,000</u>	<u>375,000</u>	<u>395,000</u>	<u>375,000</u>	<u>0</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2007 - \$1,080,000 @ 3.2%	399,969	93,458	204,069	289,358	104,490
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	365,235	0	19,172	346,063	9,866
Water OPWC Loan					
1996 - \$400,000 @ 0%	180,000	0	20,000	160,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$479,936 @ 2%	409,118	0	21,156	387,962	10,737
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	320,061	0	21,789	298,272	11,058
Total Loans	<u>1,674,383</u>	<u>93,458</u>	<u>286,186</u>	<u>1,481,655</u>	<u>146,151</u>
Compensated Absences - Sick Leave	236,607	8,621	36,516	208,712	0
Total Business-Type Activities	<u>\$6,299,383</u>	<u>\$477,079</u>	<u>\$961,173</u>	<u>\$5,815,289</u>	<u>\$416,151</u>

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 Cemetery, Recreation, Community Development, Marietta Housing, Street, and Fire Levy Special Revenue Funds; and the Water and Sewer Enterprise Funds.

City of Marietta, Ohio
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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 2010 (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 24 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$737,485. Principal and interest payments for the current year were \$269,543, net revenues were \$508,942, and total revenues were \$2,572,982.

The Water Bond Anticipation Note was issued to finance the Cisler Drive Water Line project. The notes were refinanced in May, 2010 (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 2009 is \$16,001.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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 65 percent of net revenues in future years. The total principal and interest remaining to be paid on the bonds is \$5,051,857. Principal and interest payments for the current year were \$421,230, net revenues were \$656,020, and total revenues were \$2,933,695.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2009, are as follows:

<u>Year</u>	<u>Parking Lot Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$9,000	\$7,420
2011	9,000	6,904
2012	10,000	6,388
2013	10,000	5,816
2014	11,000	5,242
2015-2019	65,000	16,016
2020	15,500	888
	<u>\$129,500</u>	<u>\$48,674</u>

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2009, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$9,026	\$846
2011	18,323	1,419
2012	18,693	1,051
2013	19,068	675
2014	19,451	293
	<u>\$84,561</u>	<u>\$4,284</u>

Principal and interest requirements to retire the Energy Conservation Loan liability at December 31, 2009, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$52,600	\$12,496
2011	54,000	11,076
2012	55,500	9,618
2013	57,000	8,119
2014	58,500	6,580
2015-2017	185,200	10,090
	<u>\$462,800</u>	<u>\$57,979</u>

City of Marietta, Ohio
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Principal and interest requirements to retire the water refunding bonds outstanding at December 31, 2009, are as follows:

Year	Water Refunding Bonds	
	Principal	Interest
2010	\$270,000	\$153,690
2011	275,000	145,050
2012	285,000	135,700
2013	295,000	125,582
2014	305,000	114,815
2015-2019	1,720,000	385,826
2020-2021	790,000	51,194
	\$3,940,000	\$1,111,857

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2009, are as follows:

Year	OPWC Loans					OWDA Loan	
	Sewer		Water			Sewer	
	Principal	Interest	Treatment	Water Glendale Tank		Principal	Interest
2010	\$11,058	\$2,983	\$10,000	\$10,737	\$3,880	\$9,866	\$6,731
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	23,830	4,252	20,000	23,139	6,095	22,801	10,394
2015-2019	126,529	13,879	70,000	122,858	23,311	128,162	37,809
2020-2024	68,146	2,058	0	135,711	10,453	121,873	10,908
2025	0	0	0	28,802	433	0	0
	\$298,272	\$38,707	\$160,000	\$387,962	\$65,157	\$346,063	\$102,064

As of December 31, 2009, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$24,303,713. Pursuant to State statute, economic development revenue bonds were issued for \$2,820,000 in 1997 for Marietta College. The bonds were retired in 2009. The proceeds of the bonds are used by the College for energy management equipment. The bonds were repaid by the College and did not represent an obligation of the City.

City of Marietta, Ohio
Notes to the Basic Financial Statements
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NOTE 17 - NOTES PAYABLE

Changes in short-term obligations of the City for the year ended December 31, 2009, were as follows:

	Principal Outstanding 12/31/08	Additions	Deletions	Principal Outstanding 12/31/09
Governmental Activities:				
2009 Capital Facilities Bond Anticipation Note @ 2.5%	\$0	\$238,000	\$0	\$238,000
2008 Capital Facilities Bond Anticipation Note @ 2.5%	238,000	0	238,000	0
Business-Type Activities:				
2009 Bond Anticipation Note @ 2.5%	0	20,000	0	20,000
2008 Bond Anticipation Note @ 3.25%	20,000	0	20,000	0
Total Notes Payable	<u>\$258,000</u>	<u>\$258,000</u>	<u>\$258,000</u>	<u>\$258,000</u>

The Capital Facilities Bond Anticipation Note was issued to finance the State Route 7 Access Road and widening project. The Water Bond Anticipation Note was issued to finance the Cisler Drive Water Line project. The notes will mature on May 19, 2010.

NOTE 18 - INTERFUND TRANSFERS AND BALANCES

During 2009, the General Fund transferred \$138,985 to the Cemetery Special Revenue Fund to provide additional resources for current operations.

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 2009. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

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

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Childrens' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2009, 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 2009, the City of Marietta contributed \$4,746. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

NOTE 20 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2009.

B. Litigation

The City of Marietta is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the City Law Director. The City management is of opinion that ultimate disposition of these claims and legal proceeding will not have a material effect, if any, on the financial condition of the City.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 21 - SUBSEQUENT EVENT

The City retired the \$970,000 capital facilities bond anticipation note bearing an interest rate of 2.5% on May 19, 2010, and issued a new note for \$732,000.

The City retired the \$395,000 water bond anticipation note bearing an interest rate of 2.5% on May 19, 2010, and issued a new note for \$375,000.

On May 19, 2010, the City also issued an additional \$792,000 water bond anticipation note and a \$159,000 sewer bond anticipation note.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

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-08-MC-39-0018	14.218	\$241,045
	B-09-MC-39-0018		<u>257,352</u>
Total Community Development Block Grants/Entitlement Grants			498,397
Section 8 Housing Choice Vouchers	N/A	14.871	<u>1,824,297</u>
Total Direct from Federal Government			2,322,694
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	A-P-07-289-2	14.228	177,370
	A-Z-08-289-1		<u>95,050</u>
Total Community Development Block Grants/State's Program			272,420
Home Investment Partnerships Program	A-C-06-289-2	14.239	<u>35,710</u>
Total U.S. Department of Housing and Urban Development			2,630,824
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2009VAGENE329	16.575	18,427
	2010VAGENE329		<u>6,759</u>
Total Crime Victim Assistance			25,186
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	2008-WF-VAZ-8424	16.588	31,814
ARRA - Edward Byrne Memorial Justice Assistance Formula Grant (JAG) Program	2009-SB-B9-0574	16.804	<u>16,990</u>
Total U.S. Department of Justice			73,990
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Public Safety:</i>			
State and Community Highway Safety	TE-2008-84-00-00-00403-00	20.600	6,922
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	N/A	20.205	126,973
ARRA - Highway Planning and Construction			<u>33,000</u>
Total Highway Planning and Construction			159,973
<i>Passed through Washington County:</i>			
ARRA - Federal Transit - Formula Grants	OH-96-X028-00	20.507	<u>38,127</u>
Total U.S. Department of Transportation			205,022
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct from the Federal Government:</i>			
Assistance to Firefighters Grant	EMW-2008-FO-00103-001	97.044	<u>206,142</u>
Total U.S. Department of Homeland Security			206,142
Total Federal Awards Expenditures			<u><u>\$3,115,978</u></u>

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

**CITY OF MARIETTA
WASHINGTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

A subrecipient, the government has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. Loans repaid, including interest, are used to make additional loans. Subsequent loans are made subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2009, the gross amount of loans outstanding under this program was \$53,848.

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 met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 23, 2010. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 23, 2010.

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 management, the audit committee, City Council, and federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 23, 2010



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 its major federal program for the year ended December 31, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal program. 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.

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Mary Taylor, CPA
Auditor of State

August 23, 2010

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009**

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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<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?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	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, 2009
(Continued)

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

FINDING NUMBER 2009-001

Noncompliance Citation

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

At December 31, 2009, expenditures exceeded appropriations, as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Street Maintenance and Repair	\$3,561,731	\$4,403,047	(\$841,316)

This over-expenditure resulted from an audit adjustment to record on-behalf payments spent on the City's behalf, as required by Auditor of State Bulletin 2000-08.

The City should amend estimated resources and should appropriate on-behalf payments.

Officials' Response: The Auditor's office has made obtaining accurate information to prepare financial statements a priority. Further conversations will be made with the Administration and its departments stressing the need for timely and accurate information before, during and after projects, whether paid for by City funds, grant funds or a combination of funds.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 5705.36(A)(4) – appropriations were greater than actual resources.	No	Not Corrected; repeated in the current audit Management Letter.
2008-002	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations in several funds.	No	Not Corrected; repeated in the current audit Schedule of Findings as Finding 2009-001.
2008-003	Significant Deficiency - Estimated receipts approved by the Budget Commission did not agree to amounts posted to the City's accounting system	Yes	
2008-004	OMB Circular A-133 Section .310 (b) for not completing an accurate federal schedule.	Yes	
2008-005	OMB Circular A-133 Section .400 (d) for failing to properly monitor the City's subrecipient under the Section 8 Housing Program.	Yes	

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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
SEPTEMBER 28, 2010**