



**Auditor of State
Betty Montgomery**

**CITY OF MARIETTA
WASHINGTON COUNTY**

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Auditor of State Betty Montgomery

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, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Street, and Community Development Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2005, 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.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 23, 2005

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of the City of Marietta's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$220,157. Net assets of governmental activities increased \$738,106, while the business-type activities decreased \$517,949.
- General governmental revenues accounted for \$9,376,668 in revenue or 59% of all governmental revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,452,338 or 41% of total governmental revenues of \$15,829,006.
- For governmental activities, total assets increased \$1,326,276 as cash and investments decreased \$3,286,011 and grant receivables increased \$1,314,768 while capital assets increased \$3,262,135. Total liabilities increased \$588,170 as contracts payable, accrued wages payable, and due to other governments decreased \$153,213, \$133,604, and \$101,004, respectively. These decreases were offset by the long-term liabilities increase of \$875,771.
- For business-type activities, total assets decreased \$703,960 as equity in pooled cash and cash equivalents increased \$131,578 and capital assets decreased \$824,658. Total liabilities decreased \$186,011, mainly from decreases in long-term liabilities of \$92,428.

Using this Annual Financial Report

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

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

Reporting the City of Marietta as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" 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.

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

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

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

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

Reporting the City of Marietta's Most Significant Funds

Fund Financial Statements

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

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

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

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The City of Marietta as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2004 compared to 2003.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$10,919,686	\$12,855,545	\$3,881,760	\$3,761,062	\$14,801,446	\$16,616,607
Capital Assets, Net	21,143,674	17,881,539	15,687,567	16,512,225	36,831,241	34,393,764
<i>Total Assets</i>	32,063,360	30,737,084	19,569,327	20,273,287	51,632,687	51,010,371
Liabilities						
Current and Other Liabilities	2,130,458	2,418,059	554,343	647,926	2,684,801	3,065,985
Long-term Liabilities						
Due Within One Year	14,671	147,170	408,225	388,074	422,896	535,244
Due in More Than One Year	1,874,936	866,666	6,751,500	6,864,079	8,626,436	7,730,745
<i>Total Liabilities</i>	4,020,065	3,431,895	7,714,068	7,900,079	11,734,133	11,331,974
Net Assets						
Invested in Capital Assets, Net of Related Debt	20,807,124	17,522,388	8,949,675	9,646,534	29,756,799	27,168,922
Restricted:						
Capital Projects	1,754,007	2,826,641	0	0	1,754,007	2,826,641
Debt Service	0	0	36,102	33,746	36,102	33,746
Other Purposes	3,790,299	3,504,373	0	0	3,790,299	3,504,373
Park Endowment	1,000	1,000	0	0	1,000	1,000
Perpetual Care:						
Expendable	1,575	1,412	0	0	1,575	1,412
Non-expendable	398,583	393,958	0	0	398,583	393,958
Unclaimed Monies	16,588	13,771	0	0	16,588	13,771
Unrestricted	1,274,119	3,041,646	2,869,482	2,692,928	4,143,601	5,734,574
<i>Total Net Assets</i>	\$28,043,295	\$27,305,189	\$11,855,259	\$12,373,208	\$39,898,554	\$39,678,397

Total assets increased \$622,316, with a \$1,326,276 governmental activities increase and a \$703,960 business-type activities decrease. Total liabilities also increased \$402,159, with a \$588,170 governmental activities increase and an \$186,011 business-type activities decrease.

For governmental activities, cash and investments decreased \$3,286,011. Although the City experienced increases in revenue (See Table 2), cash balances and investments were used to purchase capital assets. The \$1,179,360 Smith Trust certificate of deposit was used for the \$972,335 Bike Path and \$3,416,397 Marietta Aquatic Center projects. Accrued interest receivable also decreased \$112,228. Due from Other Governments increased \$1,314,768. An unexpected \$189,967 increase in estate tax receivable occurred, along with an increase in receivables from the Ohio Department of Natural Resources of \$242,026, a \$555,000 increase in the receivable for Community Housing Improvement Program funding, a \$314,469 increase in FEMA reimbursements, and a \$91,984 increase in Ohio Department of Transportation reimbursements. The City had \$5,088,153 in capital asset additions during 2004, mostly in construction in progress (See Note 10).

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Also for governmental activities, the increase in liabilities of \$588,170 was two fold. Contracts payable decreased \$153,213. Also, accrued wages payable and due to other governments decreased \$133,604 and \$101,004, respectively, due to the timing of payroll end dates from 2003 to 2004. These decreases are offset by the increase in long-term liabilities of \$875,771. In 2004, the City retired the Police Pension Bonds with a final \$90,000 payment, made a scheduled \$6,500 payment on the Parking Lot Bonds, and also made a scheduled \$16,101 payment on the Third Street Paving Issue II loan. Countering these payments, the City issued a \$1,000,000 Capital Facilities Improvement Bond Anticipation Note for the State Route 7 Access Road project.

For business-type activities, total assets decreased \$703,960 as equity in pooled cash and cash equivalents increased \$131,578 and capital assets decreased \$824,658. Total liabilities decreased \$186,011, mainly from decreases in long-term liabilities of \$92,428. In 2004, the City made scheduled debt payments on loans and bonds of \$385,245 and drew down an additional \$243,896 in Issue II loans for the Glendale Water Storage Tank for a total outstanding loan of \$472,058.

Table 2 shows the changes in net assets for the year ended December 31, 2004, and comparisons to 2003.

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

	Governmental Activities 2004	Business- Type Activities 2004	Total 2004	Governmental Activities 2003	Business- Type Activities 2003	Total 2003
Revenues						
Program Revenues						
Charges for Services	\$1,393,757	\$4,576,912	\$5,970,669	\$1,336,371	\$4,486,709	\$5,823,080
Operating Grants, Contributions and Interest Capital Grants and Contributions	4,042,029	0	4,042,029	3,037,784	0	3,037,784
Total Program Revenues	<u>6,452,338</u>	<u>4,576,912</u>	<u>11,029,250</u>	<u>4,635,045</u>	<u>5,146,029</u>	<u>9,781,074</u>
General Revenues						
Property Taxes	637,815	0	637,815	618,435	0	618,435
Income Taxes	6,982,055	0	6,982,055	6,756,351	0	6,756,351
Payment in Lieu of Taxes	220,668	0	220,668	152,266	0	152,266
Franchise Fees	97,549	0	97,549	103,271	0	103,271
Grants and Entitlements	1,126,214	0	1,126,214	1,346,737	0	1,346,737
Investment Earnings	215,224	1,297	216,521	291,126	4,705	295,831
Gain on Sale of Capital Assets	1,656	0	1,656	7,886	2,000	9,886
Other	95,487	24,268	119,755	26,253	24,444	50,697
Total General Revenues	<u>9,376,668</u>	<u>25,565</u>	<u>9,402,233</u>	<u>9,302,325</u>	<u>31,149</u>	<u>9,333,474</u>
<i>Total Revenues</i>	<u>15,829,006</u>	<u>4,602,477</u>	<u>20,431,483</u>	<u>13,937,370</u>	<u>5,177,178</u>	<u>19,114,548</u>
Program Expenses						
General Government -						
Legislative and Executive	3,200,206	0	3,200,206	2,701,630	0	2,701,630
General Government - Court	1,203,677	0	1,203,677	1,115,546	0	1,115,546
Security of Persons and Property:						
Police	2,667,361	0	2,667,361	2,551,634	0	2,551,634
Fire	2,733,979	0	2,733,979	2,475,831	0	2,475,831
Public Health Services	810,048	0	810,048	547,834	0	547,834
Community Environment	316,253	0	316,253	637,338	0	637,338
Street	2,246,196	0	2,246,196	2,257,323	0	2,257,323
Parking	96,592	0	96,592	93,790	0	93,790
Leisure Time Activities	451,330	0	451,330	364,207	0	364,207
Intergovernmental	1,332,385	0	1,332,385	1,349,056	0	1,349,056
Interest and Fiscal Charges	32,873	0	32,873	21,051	0	21,051
Sewer	0	2,199,708	2,199,708	0	2,368,583	2,368,583
Water	0	2,920,718	2,920,718	0	2,971,861	2,971,861
Total Program Expenses	<u>15,090,900</u>	<u>5,120,426</u>	<u>20,211,326</u>	<u>14,115,240</u>	<u>5,340,444</u>	<u>19,455,684</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$738,106</u>	<u>(\$517,949)</u>	<u>\$220,157</u>	<u>(\$177,870)</u>	<u>(\$163,266)</u>	<u>(\$341,136)</u>

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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 for fluctuations because the income tax and intergovernmental revenue represent 44 and 39 percent, respectively, of all revenues in the governmental activities.

Security of persons and property is a major activity of the City, generating 36% of the governmental expenses. During 2004, expenses for police and fire operations amounted to \$2,667,361 and \$2,733,979, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

Street activities of the City accounted for 15% of the governmental expenses. Street paving, patching, and street lighting expenses during 2004 amounted to \$1,503,029, with most of the remaining street expenses representing depreciation in the amount of \$1,196,557 and capital asset additions of \$453,390.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2004, the City nearly completed the \$137,162 Leland Avenue Sewer project which had started in 2003. \$122,175 was paid toward the project in 2004. This project was financed with Sewer Fund revenues. The City spent \$193,132 during 2004 to complete the \$1,236,260 Glendale water storage tank project which had begun in 2003. This project is financed with a loan of \$472,058 and a grant from the OPWC and operating revenues from the Water Enterprise Fund.

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 \$14,663,621 and expenditures of \$18,419,640.

The fund balance of the General Fund decreased \$1,723,233. The General Fund's Unreserved Fund Balance of \$1,356,206 represented 15% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund increased \$358,346. The Street Fund's Unreserved Fund Balance of \$969,278 represented 64% of current year expenditures.

The fund balance of the Community Development Fund decreased \$70,927. The Community Development Fund's Unreserved Fund Balance of \$231,309 represented 12% of current year expenditures.

During 2004, the Water Fund had operating revenues of \$2,375,867 and operating expenses of \$2,707,200. The Sewer Fund had operating revenues of \$2,225,313 and operating expenses of \$2,136,329. The major expenses for these funds are salaries and wages and depreciation on capital assets.

City of Marietta, Ohio
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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 2004, the City amended its General Fund budget several times. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council.

For the General Fund, original budgeted revenues were increased \$5,600. Final budgeted expenditures increased \$351,901 over the original amount. \$56,851 was amended to appropriate a TIF payment, \$22,250 for increases in liability insurance premiums, \$30,000 for increased utility costs, \$139,690 for unanticipated flood recovery costs, and the remaining amounts for increased salaries of the municipal court, fire department, and the law director's office. The City of Marietta's ending unencumbered cash balance in the General Fund was \$243,343, \$205,947 above the final budgeted amount. This balance as compared to the \$2.9 million balance from last year demonstrates the overspending by certain departments without funding those expenditures with additional revenue sources.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2004, were \$36,831,241 (net of accumulated depreciation). This includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

For governmental activities, significant capital asset additions during 2004 included \$433,903 for infrastructure improvements, \$574,856 for building improvements, and \$4,341,247 on various construction in progress activities. These mainly consisted of \$699,115 for the Bike Path project, \$3,336,649 for the Aquatic Center, \$177,688 for the State Route 7 Access Road, and \$68,376 for the new Justice Center.

For business-type activities, major capital asset additions during 2004 included the completion of the \$1.2 million Glendale water storage tank replacement project and the on-going sewer project at Leland Avenue.

Note 10 (Capital Assets) provides capital asset activity during 2004.

Debt

As of December 31, 2004, the City had total general obligation bonded debt outstanding principal of \$5,811,500. \$166,500 of this debt is expected to be repaid through governmental activities and \$5,645,000 of the debt is expected to be repaid through business-type activities. The City's governmental long-term general obligation bonded debt decreased \$96,500 during 2004. \$90,000 of these debt payments were used to retire the Pension Bonds. Other outstanding long-term debt included OPWC loans of \$1,305,115, an OWDA loan payable of \$434,725, and a \$1,000,000 governmental capital facilities bond anticipation note.

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

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Current Financial Issues

On September 17, 2004, the City was hit by devastating floods, causing significant damage to the interiors of many homes, businesses, and the City's buildings. Total costs to the City for debris removal; infrastructure, building, and utilities repairs; and other emergency measures amounted to \$886,287. Debris removal alone cost \$332,496. FEMA reimbursed the City \$120,741 in 2004. Several businesses in the downtown area remained closed after the flood; however, prior to year end, a few new businesses announced plans to relocate and/or start business on Front Street in Marietta.

By the year's end, the General Fund had experienced hardship due to other City funds receiving advances from the General Fund for projects. These were projects for which the State reimbursed the City for a portion of the project or for which the City had applied for grants in order for the project to take place. The Ohio Department of Natural Resources (ODNR) was contracted to provide 88% of the costs of the \$166,469 Marietta Harbor project. At year end, ODNR had not yet reimbursed the City \$37,607 for expenses. The City's General Fund is owed this amount from the Marietta Harbor Fund plus \$7,730 for other advances made to that fund for the project. The City also applied for a \$200,000 grant from ODNR for the lazy river portion of the new Marietta Aquatic Center that opened in 2004. At year end, the City had not yet received the grant; therefore, the City's General Fund is owed \$199,325 for an advance made during 2004 to the Pool Fund.

Other funds' projects owing the General Fund include the Cutler Street project, the Glendale Water Storage Tank project, the Sewer Grit Project, and the State Route 7 Access Road project. The \$73,440 Cutler Street project had an 80% match from the Ohio Department of Transportation (ODOT). At year end, the City had not received any match from ODOT; therefore, the Cutler Street Fund owed the General Fund \$53,956 for advances made during the year. The State Route 7 Access Road is a \$413,457 project. ODOT provides an 80% match for the \$41,540 preliminary engineering fees. At year end, the City had not received any match from ODOT; therefore, the State Route 7 Access Road Fund owed the General Fund \$29,582 for advances made during the year. The Water Fund owed the General Fund \$27,511 at year end for the completed Glendale Water Storage Tank project. This is the amount by which the General Fund had advanced to the Water Fund over the amounts received as reimbursements from Issue II. Also, the Sewer Fund owed the General Fund \$1,730 at year end for the Grit Removal Project that had been completed in 2003.

The completed Marietta Aquatic Center was opened in July 2004 (one month later than had been anticipated), and was a very popular attraction to the public and also a great revenue source, collecting \$230,868 in pool passes/tickets, concession receipts, and pool rentals. The City had an outside firm manage the Center for the summer of 2004 for \$142,150, but City Council approved in 2004 that the City's recreation department manage the pool in 2005.

The City's computer networking efforts phase I came to a conclusion with the final department members being added to the municipal wide area network. With the completion of this effort, all departments are now able to take advantage of the following services:

- E-Mail
- Instant Messaging
- Filtered Internet Access
- Anti-Virus Protection
- Shared File Access
- File Backup and Recovery
- Groupware Applications (Service requests entered by department members or public with continual status updates)
- Content Management System (Automated web page authoring, review/approval and posting)

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- Centralized Reporting Server for secure, filtered, immediate access to account balance and transaction information.
- Geographic Information System Services (Geographic maps displayed through a web browser showing important information about City property and utilities)

The newly elected administration for January 1, 2004, had several changes in appointments and personnel.

Contacting the City Auditor's Department

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

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City of Marietta, Ohio

Statement of Net Assets

December 31, 2004

	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,473,762	\$2,396,747	\$7,870,509
Cash and Cash Equivalents in Segregated Accounts	48,545	140,390	188,935
Cash and Cash Equivalents with Fiscal Agents	0	36,512	36,512
Investments	315,434	100,000	415,434
Accounts Receivable	57,817	935,597	993,414
Payment in Lieu of Taxes Receivable	229,964	0	229,964
Accrued Interest Receivable	3,469	0	3,469
Due from Other Governments	2,939,671	1,029	2,940,700
Internal Balances	29,241	(29,241)	0
Municipal Income Tax Receivable	961,593	0	961,593
Special Assessments Receivable	27,691	0	27,691
Loans Receivable	106,067	0	106,067
Materials and Supplies Inventory	32,981	54,262	87,243
Prepaid Items	130,979	71,622	202,601
Property and Other Taxes Receivable	562,472	0	562,472
Deferred Charges	0	174,842	174,842
Non-Depreciable Capital Assets	6,303,454	580,793	6,884,247
Depreciable Capital Assets, Net	<u>14,840,220</u>	<u>15,106,774</u>	<u>29,946,994</u>
<i>Total Assets</i>	<u>32,063,360</u>	<u>19,569,327</u>	<u>51,632,687</u>
Liabilities			
Accounts Payable	358,098	46,421	404,519
Contracts Payable	236,161	123,459	359,620
Accrued Wages Payable	83,628	23,816	107,444
Due to Other Governments	360,827	47,555	408,382
Retainage Payable	13,566	5,040	18,606
Deferred Revenue	527,126	0	527,126
Accrued Interest Payable	16,826	17,169	33,995
Vacation Benefits Payable	534,226	134,058	668,284
Customer Deposits Payable	0	156,825	156,825
Long-Term Liabilities:			
Due Within One Year	14,671	408,225	422,896
Due In More Than One Year	<u>1,874,936</u>	<u>6,751,500</u>	<u>8,626,436</u>
<i>Total Liabilities</i>	<u>4,020,065</u>	<u>7,714,068</u>	<u>11,734,133</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,807,124	8,949,675	29,756,799
Restricted for:			
Capital Projects	1,754,007	0	1,754,007
Other Purposes	3,790,299	0	3,790,299
Debt Service	0	36,102	36,102
Perpetual Care:			
Expendable	1,575	0	1,575
Non-expendable	398,583	0	398,583
Park Trust	1,000	0	1,000
Unclaimed Monies	16,588	0	16,588
Unrestricted	<u>1,274,119</u>	<u>2,869,482</u>	<u>4,143,601</u>
<i>Total Net Assets</i>	<u>\$28,043,295</u>	<u>\$11,855,259</u>	<u>\$39,898,554</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government - Legislative and Executive	\$3,200,206	\$130,450	\$494,939	\$0
General Government - Court	1,203,677	644,339	280,444	0
Security of Persons and Property:				
Police	2,667,361	11,899	9,692	0
Fire	2,733,979	10,600	5,634	4,125
Public Health Services	810,048	236,013	49,863	0
Community Environment	316,253	0	817,039	0
Street	2,246,196	0	682,765	312,971
Parking	96,592	96,746	0	0
Leisure Time Activities	451,330	263,710	42,266	699,456
Intergovernmental	1,332,385	0	1,659,387	0
Interest and Fiscal Charges	32,873	0	0	0
<i>Total Governmental Activities</i>	<u>15,090,900</u>	<u>1,393,757</u>	<u>4,042,029</u>	<u>1,016,552</u>
Business-Type Activities				
Sewer	2,199,708	2,206,464	0	0
Water	2,920,718	2,370,448	0	0
<i>Total Business-Type Activities</i>	<u>5,120,426</u>	<u>4,576,912</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$20,211,326</u>	<u>\$5,970,669</u>	<u>\$4,042,029</u>	<u>\$1,016,552</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Other Purposes

 Debt Service

Income Taxes Levied for:

 General Purposes

 Street

 Recreation

 Cemetery

 Fire Levy

 Capital Outlay

Payment in Lieu of Taxes

Franchise Fees

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Gain on Sale 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
(\$2,574,817)	\$0	(\$2,574,817)
(278,894)	0	(278,894)
(2,645,770)	0	(2,645,770)
(2,713,620)	0	(2,713,620)
(524,172)	0	(524,172)
500,786	0	500,786
(1,250,460)	0	(1,250,460)
154	0	154
554,102	0	554,102
327,002	0	327,002
(32,873)	0	(32,873)
(8,638,562)	0	(8,638,562)
0	6,756	6,756
0	(550,270)	(550,270)
0	(543,514)	(543,514)
(8,638,562)	(543,514)	(9,182,076)
500,449	0	500,449
120,954	0	120,954
16,412	0	16,412
4,667,664	0	4,667,664
930,500	0	930,500
59,303	0	59,303
148,983	0	148,983
776,877	0	776,877
398,728	0	398,728
220,668	0	220,668
97,549	0	97,549
1,126,214	0	1,126,214
215,224	1,297	216,521
1,656	0	1,656
95,487	24,268	119,755
9,376,668	25,565	9,402,233
738,106	(517,949)	220,157
27,305,189	12,373,208	39,678,397
<u>\$28,043,295</u>	<u>\$11,855,259</u>	<u>\$39,898,554</u>

City of Marietta, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	<u>General</u>	<u>Street</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$991,588	\$821,943	\$20,858	\$3,639,373	\$5,473,762
Cash and Cash Equivalents in Segregated Accounts	32,324	0	0	16,221	48,545
Investments	0	0	0	315,434	315,434
Receivables:					
Property and Other Taxes	402,871	0	0	159,601	562,472
Municipal Income Tax	600,613	121,028	0	239,952	961,593
Payment in Lieu of Taxes	0	0	0	229,964	229,964
Accounts	57,817	0	0	0	57,817
Accrued Interest	1,995	188	0	1,286	3,469
Interfund	359,209	0	0	0	359,209
Special Assessments	0	27,691	0	0	27,691
Loans	0	0	0	106,067	106,067
Due from Other Governments	616,400	338,079	1,200,803	784,389	2,939,671
Materials and Supplies Inventory	13,926	19,055	0	0	32,981
Prepaid Items	106,732	8,602	417	15,228	130,979
<i>Total Assets</i>	<u>\$3,183,475</u>	<u>\$1,336,586</u>	<u>\$1,222,078</u>	<u>\$5,507,515</u>	<u>\$11,249,654</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$138,400	\$24,710	\$11,134	\$183,854	\$358,098
Contracts Payable	52,512	2,355	0	181,294	236,161
Retainage Payable	4,566	0	0	9,000	13,566
Accrued Wages Payable	66,027	5,461	222	11,918	83,628
Due to Other Governments	288,556	12,334	2,457	57,480	360,827
Deferred Revenue	748,213	250,132	975,188	1,048,351	3,021,884
Interfund Payable	0	0	1,768	328,200	329,968
<i>Total Liabilities</i>	<u>1,298,274</u>	<u>294,992</u>	<u>990,769</u>	<u>1,820,097</u>	<u>4,404,132</u>
Fund Balances					
Reserved for Encumbrances	512,407	72,316	0	549,569	1,134,292
Reserved for Loans	0	0	0	95,606	95,606
Reserved for Endowments	0	0	0	399,583	399,583
Reserved for Unclaimed Monies	16,588	0	0	0	16,588
Unreserved, Undesignated, Reported in:					
General Fund	1,356,206	0	0	0	1,356,206
Special Revenue Funds	0	969,278	231,309	1,003,313	2,203,900
Permanent Funds	0	0	0	1,575	1,575
Capital Projects Funds	0	0	0	1,637,772	1,637,772
<i>Total Fund Balances</i>	<u>1,885,201</u>	<u>1,041,594</u>	<u>231,309</u>	<u>3,687,418</u>	<u>6,845,522</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,183,475</u>	<u>\$1,336,586</u>	<u>\$1,222,078</u>	<u>\$5,507,515</u>	<u>\$11,249,654</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, 2004*

Total Governmental Fund Balances \$6,845,522

*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. 21,143,674

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

Investment Earnings	583	
Property Taxes	26,459	
Municipal Income Tax	54,866	
Payment in Lieu of Taxes	229,964	
Special Assessments	27,691	
Intergovernmental Revenues	2,125,195	
Miscellaneous	30,000	
Total	2,494,758	2,494,758

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

Bonds Payable	(166,500)	
Accrued Interest Payable	(16,826)	
Loans Payable	(170,050)	
Bond Anticipation Notes Payable	(1,000,000)	
Compensated Absences Payable - Sick Leave	(553,057)	
Vacation Benefits Payable	(534,226)	
Total	(2,440,659)	(2,440,659)

Net Assets of Governmental Activities \$28,043,295

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, 2004

	General	Street	Community Development	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Taxes	\$497,165	\$0	\$0	\$136,272	\$633,437
Municipal Income Tax	4,676,358	929,648	0	1,385,593	6,991,599
Payment in Lieu of Taxes	0	0	0	142,970	142,970
Charges for Services	174,114	0	0	448,435	622,549
Fines, Licenses and Permits	589,327	0	0	284,514	873,841
Intergovernmental	1,067,098	917,416	1,855,929	1,072,660	4,913,103
Special Assessments	0	6,744	0	0	6,744
Investment Earnings	214,913	24,193	0	163,119	402,225
Other	40,661	2,929	14,444	19,119	77,153
<i>Total Revenues</i>	<u>7,259,636</u>	<u>1,880,930</u>	<u>1,870,373</u>	<u>3,652,682</u>	<u>14,663,621</u>
Expenditures					
Current:					
General Government - Legislative and Executive	3,472,586	0	0	51,429	3,524,015
General Government - Court	800,906	0	0	386,446	1,187,352
Security of Persons and Property:					
Police	2,503,597	0	0	39,676	2,543,273
Fire	1,768,995	0	0	748,120	2,517,115
Public Health Services	394,775	0	0	393,519	788,294
Community Environment	0	0	608,915	87,138	696,053
Street	0	1,504,497	0	0	1,504,497
Parking	0	0	0	94,338	94,338
Leisure Time Activities	0	0	0	1,421,156	1,421,156
Capital Outlay	0	0	0	2,681,407	2,681,407
Intergovernmental	0	0	1,332,385	0	1,332,385
Debt Service:					
Principal Retirement	0	16,101	0	96,500	112,601
Interest and Fiscal Charges	0	3,642	0	13,512	17,154
<i>Total Expenditures</i>	<u>8,940,859</u>	<u>1,524,240</u>	<u>1,941,300</u>	<u>6,013,241</u>	<u>18,419,640</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,681,223)</u>	<u>356,690</u>	<u>(70,927)</u>	<u>(2,360,559)</u>	<u>(3,756,019)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	1,656	0	0	1,656
Bond Anticipation Notes Issued	0	0	0	1,000,000	1,000,000
Transfers In	0	0	0	42,010	42,010
Transfers Out	(42,010)	0	0	0	(42,010)
<i>Total Other Financing Sources (Uses)</i>	<u>(42,010)</u>	<u>1,656</u>	<u>0</u>	<u>1,042,010</u>	<u>1,001,656</u>
<i>Net Change in Fund Balances</i>	<u>(1,723,233)</u>	<u>358,346</u>	<u>(70,927)</u>	<u>(1,318,549)</u>	<u>(2,754,363)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,608,434</u>	<u>683,248</u>	<u>302,236</u>	<u>5,005,967</u>	<u>9,599,885</u>
<i>Fund Balances End of Year</i>	<u>\$1,885,201</u>	<u>\$1,041,594</u>	<u>\$231,309</u>	<u>\$3,687,418</u>	<u>\$6,845,522</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, 2004*

Net Change in Fund Balances - Total Governmental Funds (\$2,754,363)

*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	5,088,153	
Depreciation	(1,826,018)	
		3,262,135
Excess of Capital Outlay over Depreciation Expense		

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

Investment Earnings	(94,035)	
Property Taxes	4,378	
Municipal Income Tax	(9,544)	
Payment in Lieu of Taxes	77,698	
Special Assessments	(6,744)	
Charges for Services	(1,770)	
Fines, Licenses and Permits	(3,314)	
Estate Taxes	47,492	
Grants	1,021,127	
State Shared Revenues	88,628	
Miscellaneous	30,000	
		1,153,916
Total		

In the statement of activities, interest is accrued on outstanding
loans, whereas in governmental funds, an interest expenditure
is reported when due. (15,719)

Note proceeds are other financing sources in the governmental funds, but
the issuance increases the long-term liabilities on the statement of activities. (1,000,000)

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 Payable	96,500	
Loans Payable	16,101	
		112,601
Total		

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 Benefits Payable	(32,092)	
Compensated Absences Payable - Sick Leave	11,628	
		(20,464)
Total		

Change in Net Assets of Governmental Activities \$738,106

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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over Under
Revenues				
Property and Other Taxes	\$481,560	\$481,560	\$496,961	\$15,401
Municipal Income Tax	4,539,463	4,539,463	4,548,493	9,030
Charges for Services	165,000	165,000	173,575	8,575
Fines, Licenses and Permits	715,000	715,000	588,340	(126,660)
Intergovernmental	1,033,740	1,033,740	918,090	(115,650)
Investment Earnings	240,000	240,000	198,084	(41,916)
Other	86,689	92,289	41,040	(51,249)
<i>Total Revenues</i>	<u>7,261,452</u>	<u>7,267,052</u>	<u>6,964,583</u>	<u>(302,469)</u>
Expenditures				
Current:				
General Government - Legislative and Executive	4,313,130	4,609,491	4,039,197	570,294
General Government - Court	875,679	904,731	821,626	83,105
Security of Persons and Property:				
Police	2,727,821	2,730,300	2,576,420	153,880
Fire	1,819,797	1,843,324	1,830,483	12,841
Public Health Services	421,300	421,782	409,305	12,477
<i>Total Expenditures</i>	<u>10,157,727</u>	<u>10,509,628</u>	<u>9,677,031</u>	<u>832,597</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,896,275)</u>	<u>(3,242,576)</u>	<u>(2,712,448)</u>	<u>530,128</u>
Other Financing Sources (Uses)				
Advances In	0	0	515,440	515,440
Advances Out	0	0	(839,621)	(839,621)
Transfers Out	0	(42,010)	(42,010)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(42,010)</u>	<u>(366,191)</u>	<u>(324,181)</u>
<i>Net Change in Fund Balance</i>	(2,896,275)	(3,284,586)	(3,078,639)	205,947
<i>Fund Balance Beginning of Year</i>	2,923,479	2,923,479	2,923,479	0
Prior Year Encumbrances Appropriated	398,503	398,503	398,503	0
<i>Fund Balance End of Year</i>	<u>\$425,707</u>	<u>\$37,396</u>	<u>\$243,343</u>	<u>\$205,947</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Municipal Income Tax	\$922,826	\$922,826	\$921,166	(\$1,660)
Intergovernmental	594,400	665,973	876,444	210,471
Special Assessments	6,744	6,744	6,744	0
Investment Earnings	21,600	21,600	13,746	(7,854)
Other	10,000	10,000	2,929	(7,071)
<i>Total Revenues</i>	1,555,570	1,627,143	1,821,029	193,886
Expenditures				
Current:				
Street	2,391,849	2,115,842	1,652,041	463,801
<i>Excess of Revenues Over (Under) Expenditures</i>	(836,279)	(488,699)	168,988	657,687
Other Financing Source				
Sale of Capital Assets	0	0	1,656	1,656
<i>Net Change in Fund Balance</i>	(836,279)	(488,699)	170,644	659,343
<i>Fund Balance Beginning of Year</i>	369,828	369,828	369,828	0
Prior Year Encumbrances Appropriated	187,515	187,515	187,515	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$278,936)</u>	<u>\$68,644</u>	<u>\$727,987</u>	<u>\$659,343</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$2,401,746	\$2,412,746	\$1,941,210	(\$471,536)
Other	0	0	14,444	14,444
<i>Total Revenues</i>	<u>2,401,746</u>	<u>2,412,746</u>	<u>1,955,654</u>	<u>(457,092)</u>
Expenditures				
Current:				
Community Environment	761,143	795,143	655,491	139,652
Intergovernmental	1,500,000	1,500,000	1,332,385	167,615
<i>Total Expenditures</i>	<u>2,261,143</u>	<u>2,295,143</u>	<u>1,987,876</u>	<u>307,267</u>
<i>Net Change in Fund Balance</i>	140,603	117,603	(32,222)	(149,825)
<i>Fund Balance (Deficit) Beginning of Year</i>	(83,501)	(83,501)	(83,501)	0
Prior Year Encumbrances Appropriated	<u>132,593</u>	<u>132,593</u>	<u>132,593</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$189,695</u></u>	<u><u>\$166,695</u></u>	<u><u>\$16,870</u></u>	<u><u>(\$149,825)</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2004

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$1,476,518	\$864,424	\$2,340,942
Cash and Cash Equivalents in Segregated Accounts	63,471	75,899	139,370
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	468,898	466,699	935,597
Due from Other Governments	1,029	0	1,029
Materials and Supplies Inventory	8,836	45,426	54,262
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agents	0	36,102	36,102
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	27,344	28,461	55,805
Cash in Segregated Accounts	500	520	1,020
Investments	49,000	51,000	100,000
Prepaid Items	32,328	39,294	71,622
<i>Total Current Assets</i>	<u>2,127,924</u>	<u>1,608,235</u>	<u>3,736,159</u>
Noncurrent:			
Deferred Charges	12,145	162,697	174,842
Non-Depreciable Capital Assets	189,487	391,306	580,793
Depreciable Capital Assets, Net	7,938,763	7,168,011	15,106,774
<i>Total Noncurrent Assets</i>	<u>8,140,395</u>	<u>7,722,014</u>	<u>15,862,409</u>
<i>Total Assets</i>	<u>10,268,319</u>	<u>9,330,249</u>	<u>19,598,568</u>
Liabilities			
Current:			
Accounts Payable	25,810	20,611	46,421
Contracts Payable	115,243	8,216	123,459
Accrued Wages	12,795	11,021	23,816
Retainage Payable	5,040	0	5,040
Interfund Payable	1,730	27,511	29,241
Vacation Benefits Payable	66,384	67,674	134,058
Due to Other Governments	26,105	21,450	47,555
Accrued Interest Payable	1,533	15,636	17,169
Refunding Bonds Payable	145,000	198,898	343,898
Issue II Loans Payable	10,011	10,000	20,011
Loans Payable	8,214	0	8,214
Payable from Restricted Assets:			
Refunding Bonds Payable	0	36,102	36,102
Customer Deposits Payable	76,844	79,981	156,825
<i>Total Current Liabilities</i>	<u>494,709</u>	<u>497,100</u>	<u>991,809</u>
Long-Term:			
Compensated Absences Payable	91,282	155,709	246,991
Refunding Bonds Payable	285,665	4,677,279	4,962,944
Issue II Loans Payable	392,996	722,058	1,115,054
OWDA Loans Payable	426,511	0	426,511
<i>Total Long-Term Liabilities</i>	<u>1,196,454</u>	<u>5,555,046</u>	<u>6,751,500</u>
<i>Total Liabilities</i>	<u>1,691,163</u>	<u>6,052,146</u>	<u>7,743,309</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,871,998	2,077,677	8,949,675
Restricted for Debt Service	0	36,102	36,102
Unrestricted	1,705,158	1,164,324	2,869,482
<i>Total Net Assets</i>	<u>\$8,577,156</u>	<u>\$3,278,103</u>	<u>\$11,855,259</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, 2004*

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$2,206,464	\$2,370,448	\$4,576,912
Other Operating Revenues	18,849	5,419	24,268
<i>Total Operating Revenues</i>	<u>2,225,313</u>	<u>2,375,867</u>	<u>4,601,180</u>
Operating Expenses			
Salaries and Wages	767,484	833,139	1,600,623
Fringe Benefits	286,279	329,142	615,421
Contractual Services	383,572	518,154	901,726
Materials and Supplies	92,224	200,163	292,387
Other Operating Expenses	16,390	12,021	28,411
Depreciation	590,380	814,581	1,404,961
<i>Total Operating Expenses</i>	<u>2,136,329</u>	<u>2,707,200</u>	<u>4,843,529</u>
<i>Operating Income (Loss)</i>	<u>88,984</u>	<u>(331,333)</u>	<u>(242,349)</u>
Non Operating Revenues (Expenses)			
Interest Income	0	1,297	1,297
Loss on Disposal of Capital Assets	(1,343)	(480)	(1,823)
Interest and Fiscal Charges	(62,036)	(213,038)	(275,074)
<i>Total Non Operating Revenues (Expenses)</i>	<u>(63,379)</u>	<u>(212,221)</u>	<u>(275,600)</u>
<i>Change in Net Assets</i>	25,605	(543,554)	(517,949)
<i>Net Assets Beginning of Year - (Restated - See Note 4)</i>	<u>8,551,551</u>	<u>3,821,657</u>	<u>12,373,208</u>
<i>Net Assets End of Year</i>	<u><u>\$8,577,156</u></u>	<u><u>\$3,278,103</u></u>	<u><u>\$11,855,259</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2004

	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,198,789	\$2,366,705	\$4,565,494
Cash Payments for Employee Services and Benefits	(1,055,530)	(1,153,470)	(2,209,000)
Cash Payments to Suppliers for Goods and Services	(497,680)	(717,417)	(1,215,097)
Other Operating Revenues	18,746	5,346	24,092
Other Operating Expenses	(16,390)	(12,021)	(28,411)
Customer Deposits Received	21,217	22,083	43,300
Customer Deposits Returned	(16,667)	(17,345)	(34,012)
<i>Net Cash Provided by Operating Activities</i>	<u>652,485</u>	<u>493,881</u>	<u>1,146,366</u>
Cash Flows from Noncapital Financing Activities:			
Advances In	0	160,888	160,888
Advance Out	0	(141,811)	(141,811)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>19,077</u>	<u>19,077</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(115,786)	(505,007)	(620,793)
Loans Received	0	243,896	243,896
Principal Paid on Debt	(175,685)	(235,000)	(410,685)
Interest Paid on Debt	(49,901)	(187,008)	(236,909)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(341,372)</u>	<u>(683,119)</u>	<u>(1,024,491)</u>
Cash Flows from Investing Activities:			
Investment Earnings	0	1,297	1,297
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	311,113	(168,864)	142,249
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,256,720</u>	<u>1,174,680</u>	<u>2,431,400</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,567,833</u>	<u>\$1,005,816</u>	<u>\$2,573,649</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
<i>Operating Income (Loss)</i>	\$88,984	(\$331,333)	(\$242,349)
Adjustments:			
Depreciation	590,380	814,581	1,404,961
(Increase)/Decrease in Assets:			
Accounts Receivable	(7,675)	(3,816)	(11,491)
Due from Other Governments	(103)	0	(103)
Materials and Supplies Inventory	(3,341)	4,652	1,311
Prepaid Items	(757)	(36)	(793)
Increase/(Decrease) in Liabilities:			
Accounts Payable	1,988	(6,746)	(4,758)
Contracts Payable	(19,774)	3,030	(16,744)
Accrued Wages Payable	(15,709)	(17,406)	(33,115)
Compensated Absences Payable	15,331	33,590	48,921
Customer Deposits	4,550	4,738	9,288
Vacation Benefits Payable	13,758	9,078	22,836
Due to Other Governments	(15,147)	(16,451)	(31,598)
<i>Net Cash Provided by Operating Activities</i>	<u>\$652,485</u>	<u>\$493,881</u>	<u>\$1,146,366</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets

Equity Pooled in Cash and Cash Equivalents	\$764,980
Cash and Cash Equivalents in Segregated Accounts	95,528
Taxes Receivable	13,330
Accounts Receivable	<u>592,150</u>

Total Assets \$1,465,988

Liabilities

Due to Other Governments	\$64,382
Due to Others	<u>1,401,606</u>

Total Liabilities \$1,465,988

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 18.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is 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, 2004

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.

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

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

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

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

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

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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.

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 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.

F. Cash and Cash Equivalents

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

During 2004, investments were limited to certificates of deposit, which are reported at cost.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 Smith Trust Special Revenue Funds, Anthem Demutualization Agency Fund, and the Cemetery Trust Permanent Fund. Interest revenue credited to the General Fund during 2004 amounted to \$214,913, which includes \$179,284 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.

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.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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. 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:

Description	Governmental Activities	Business-Type Activities
Buildings and Improvements	20 - 120 years	10 - 100 years
Machinery and Equipment	10 - 20 years	10 - 15 years
Vehicles	3 - 5 years	3 - 5 years
Infrastructure	10 - 25 years	10 - 50 years

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation 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 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, after twelve years of service for the Fire, after fifteen years of service for the Water, Sewer, Street, Engineer, Maintenance, Cemetery, Recreation, and Income Tax, after twenty years of service for the Police, Parks, Health, Community Development Clerk, Court, and Information Systems, 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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, endowments, loans, and unclaimed monies.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets' invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$5,998,154 of restricted net assets, of which \$1,937,384 is restricted by enabling legislation.

Net assets restricted for other purposes include activities related to street and state highway maintenance and repair, parks and recreation, parking, cemetery services, fire protection, health services, community development and housing, and law enforcement.

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.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as “Internal Balances”.

R. Bond Discount/Issuance Costs and Accounting Gains

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

S. Estimates

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	(\$1,723,233)	\$358,346	(\$70,927)
Net Adjustment for Revenue Accruals	(271,036)	(49,139)	85,281
Beginning of Year:			
Unrecorded Interest	116,460	6,807	0
Prepaid Items	103,435	8,615	478
Segregated Accounts	34,977	0	0
End of Year:			
Unrecorded Cash	(3,219)	0	0
Unrecorded Interest	(139,911)	(17,569)	0
Prepaid Items	(106,732)	(8,602)	(417)
Segregated Accounts	(32,324)	0	0
Net Adjustment for Expenditure Accruals	(127,760)	(51,427)	(42,649)
Advances In	515,440	0	0
Advances Out	(839,621)	0	0
Encumbrances	(605,115)	(76,387)	(3,988)
Budget Basis	<u>(\$3,078,639)</u>	<u>\$170,644</u>	<u>(\$32,222)</u>

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

Changes in Accounting Principles For 2004, the City has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”, and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46, and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the City.

Restatement of Prior Year Balance During 2004, the City determined that capital assets and accumulated depreciation were misstated. This adjustment had the following effects on changes in net assets as previously reported for the year ended December 31, 2003:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Governmental Activities	Business-Type Activities	Water Enterprise Fund
Change as Previously Reported	(\$627,837)	(\$356,150)	(\$346,126)
Capital Assets	336,245	214,147	214,147
Accumulated Depreciation	113,722	(21,263)	(21,263)
Restated Change for the Year Ended December 31, 2003	<u>(\$177,870)</u>	<u>(\$163,266)</u>	<u>(\$153,242)</u>

The adjustments referred to above had the following effects on net assets as it was previously reported at December 31, 2003:

	Governmental Activities	Business-Type Activities	Water Enterprise Fund
Net Assets as Previously Reported	\$26,855,222	\$12,180,324	\$3,628,773
Capital Assets	336,245	214,147	214,147
Accumulated Depreciation	113,722	(21,263)	(21,263)
Net Assets - December 31, 2003	<u>\$27,305,189</u>	<u>\$12,373,208</u>	<u>\$3,821,657</u>

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of December 31, 2004:

	<u>Deficit Fund Balance</u>
<u>Capital Projects Funds:</u>	
Pool	\$199,325
Bike Path	88,024
Marietta Harbor	45,337
State Route 7 Access Road	29,582

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

B. Statutory Compliance

The following fund had original appropriations in excess of original estimated revenues plus available balances for the year ended December 31, 2004:

City of Marietta, Ohio
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Fund Type and Fund	Estimated Revenues plus Balances	Appropriations plus Encumbrances	Excess
<u>Special Revenue Fund:</u>			
Street	\$2,112,913	\$2,391,849	\$278,936

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 withdraw able 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 pass book accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

City of Marietta, Ohio
Notes to the Basic Financial Statements
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5. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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.

Unreported Cash. At year end, the City had \$2,616 in cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents".

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

Deposits. At year end, the carrying amount of the City's deposits was \$9,369,282 and the bank balance was \$9,670,949. Of the bank balance:

1. \$607,758 was covered by federal depository insurance;
2. \$9,063,191 was uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments. GASB Statement No.3 requires the City to categorize investments to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments that are held by the counter-party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments that are held by the counter-party or by its trust department or agent but not in the City's name. The City had no investments at year end as defined under GASB Statement No. 3.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement 9. Reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement 3 is as follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$8,956,464	\$415,434
Cash on Hand	(2,616)	0
Investments:		
Certificates of Deposit	415,434	(415,434)
GASB Statement 3	\$9,369,282	\$0

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 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for all property except inventory, which has a rate of 23 percent.

The full tax rate for all City operations for the year ended December 31, 2004, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$189,211,820
Public Utility Property	6,036,080
Tangible Personal Property	27,100,120
	\$222,348,020

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Marietta. The County Auditor periodically remits to the City its portion of the taxes collected. Property

City of Marietta, Ohio
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For the Year Ended December 31, 2004

taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding collectible delinquencies which are measurable as of December 31, 2004, 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 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$106,067. 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 \$95,606.

A summary of the principal items of intergovernmental receivables follows:

City of Marietta, Ohio
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Governmental Activities:	<u>Amount</u>
Local Government	\$317,995
Estate Tax	243,389
Ohio Department of Natural Resources	258,232
Ohio Department of Transportation Reimbursements	91,984
Homestead and Rollback	31,489
FEMA	314,469
Tax Reimbursements	6,533
Health Subsidy	4,200
Immobilization Fees	300
Community Development Block Grant	255,946
Comprehensive Housing Improvement Program	555,000
Housing Urban Development	409,172
Gasoline Tax and Motor Vehicle License	338,079
Community Corrections Grant	73,348
Victims Information Program	19,490
Indigent Alcohol	5,833
Immunizations	11,011
Children with Medical Handicaps Reimbursements	630
Welfare Reimbursements	1,518
Other	<u>1,053</u>
Total Governmental Activities	2,939,671
 Business-Type Activities:	
Bureau of Workers' Compensation	<u>1,029</u>
Total	<u><u>\$2,940,700</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.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to funds in the following manner: 67% to the General Fund, 13% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, 2% to the Cemetery Special Revenue Fund, 1% to the Recreation 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, 2004

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/03	Increases	Decreases	Balance 12/31/04
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,033,884	\$0	\$0	\$1,033,884
Construction in Progress	1,491,385	4,341,247	563,062	5,269,570
Total Capital Assets not being Depreciated	<u>2,525,269</u>	<u>4,341,247</u>	<u>563,062</u>	<u>6,303,454</u>
Capital Assets being Depreciated:				
Buildings and Improvements	4,513,691	196,715	0	4,710,406
Machinery and Equipment	3,848,833	229,648	11,806	4,066,675
Vehicles	3,106,345	71,561	43,569	3,134,337
Infrastructure	25,269,808	812,044	0	26,081,852
Total Capital Assets being Depreciated	<u>36,738,677</u>	<u>1,309,968</u>	<u>55,375</u>	<u>37,993,270</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,234,467)	(171,599)	0	(2,406,066)
Machinery and Equipment	(2,630,553)	(258,417)	(11,806)	(2,877,164)
Vehicles	(1,696,502)	(312,987)	(43,569)	(1,965,920)
Infrastructure	(14,820,885)	(1,083,015)	0	(15,903,900)
Total Accumulated Depreciation	<u>(21,382,407)</u>	<u>(1,826,018) *</u>	<u>(55,375)</u>	<u>(23,153,050)</u>
Total Capital Assets being Depreciated, Net	<u>15,356,270</u>	<u>(516,050)</u>	<u>0</u>	<u>14,840,220</u>
Governmental Activities Capital Assets, Net	<u>\$17,881,539</u>	<u>\$3,825,197</u>	<u>\$563,062</u>	<u>\$21,143,674</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$92,437
General Government - Court	64,312
Security of Persons and Property:	
Police	119,518
Fire	191,227
Public Health Services	29,161
Community Environment	4,056
Street	1,196,557
Parking	34
Leisure Time Activities	128,716
Total Depreciation Expense	<u>\$1,826,018</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 12/31/03	Increases	Decreases	Balance 12/31/04
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$447,100	\$0	\$0	\$447,100
Construction in Progress	1,049,460	320,493	1,236,260	133,693
Total Capital Assets not being Depreciated	<u>1,496,560</u>	<u>320,493</u>	<u>1,236,260</u>	<u>580,793</u>
Capital Assets being Depreciated:				
Buildings and Improvements	264,258	42,635	0	306,893
Machinery and Equipment	1,686,701	204,862	0	1,891,563
Vehicles	752,548	3,795	0	756,343
Infrastructure	53,492,066	1,239,813	59,029	54,672,850
Total Capital Assets being Depreciated	<u>56,195,573</u>	<u>1,491,105</u>	<u>59,029</u>	<u>57,627,649</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(124,436)	(6,491)	0	(130,927)
Machinery and Equipment	(969,785)	(127,531)	0	(1,097,316)
Vehicles	(518,716)	(72,413)	0	(591,129)
Infrastructure	(39,560,183)	(1,198,526)	(57,206)	(40,701,503)
Total Accumulated Depreciation	<u>(41,173,120)</u>	<u>(1,404,961)</u>	<u>(57,206)</u>	<u>(42,520,875)</u>
Total Capital Assets being Depreciated, Net	<u>15,022,453</u>	<u>86,144</u>	<u>1,823</u>	<u>15,106,774</u>
Business-Type Activities Capital Assets, Net	<u>\$16,519,013</u>	<u>\$406,637</u>	<u>\$1,238,083</u>	<u>\$15,687,567</u>

NOTE 11 - RISK MANAGEMENT

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

City of Marietta, Ohio
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<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real Property	\$60,305,165	\$2,500-5,000	
Personal Property	6,773,610	5,000	
<u>Liability</u>	<u>Limit (Per Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$2,000,000	\$2,000,000	\$1,000
Medical Professional	2,000,000	2,000,000	0
Employee Benefits	2,000,000	6,000,000	1,000
Employer Liability	2,000,000	2,000,000	0
Firemen's Errors and Omissions	2,000,000	2,000,000	0
Public Officials Wrongful Acts	2,000,000	2,000,000	5,000
Law Enforcement	2,000,000	2,000,000	15,000
Employment Practices	2,000,000	2,000,000	25,000
Umbrella	4,000,000	4,000,000	10,000

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

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

For 2004, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional 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 that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional pension plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2004, 2003, and 2002, were \$456,334, \$380,832, and \$348,986 respectively; 91 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$10,262 made by the City and \$6,437 made by the plan members.

B. Police and Firemen's Disability and Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations, while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters for the years ended December 31, 2004, 2003, and 2002, were \$183,601 and \$262,205 for the year ended

City of Marietta, Ohio
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December 31, 2004, \$160,021 and \$247,642 for the year ended December 31, 2003, and \$157,473 and \$234,192 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 69.71 percent and 70.24 percent, respectively, have been contributed for 2004.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent (16.70 percent for both the public safety and law enforcement divisions) of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional pension and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$191,134. Actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Police and Firemen's Disability and Pension Fund

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$121,098 for police and \$125,051 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

City employees and elected officials participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Employee Health Benefits

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

C. Compensated Absences

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

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2004, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<u>Capital Asset Projects:</u>			
<i>Marietta Aquatic Center:</i>			
General Fund	\$438,900	\$432,818	\$6,082
Recreation Fund	655	655	0
Smith Trust Fund	1,327,367	1,327,367	0
Community Development Fund	54,624	54,624	0
Capital Improvement Fund	1,586,868	1,575,216	11,652
Water Fund	3,828	3,828	0
Sewer Fund	4,155	4,155	0
	<u>3,416,397</u>	<u>3,398,663</u>	<u>17,734</u>
<i>Walking/Bike Path:</i>			
General Fund	2,310	2,310	0
Smith Trust Fund	298,214	294,425	3,789
Capital Improvement Fund	53,745	40,065	13,680
Bike Path Fund	618,066	516,935	101,131
	<u>972,335</u>	<u>853,735</u>	<u>118,600</u>
<i>State Route 7 Access Road:</i>			
Street Fund	267,363	233,692	33,671
Access Road Fund	33,132	29,582	3,550
State Route 7 TIF Fund	111,132	107,402	3,730
Water Fund	1,830	1,830	0
	<u>413,457</u>	<u>372,506</u>	<u>40,951</u>
<i>Justice Center:</i>			
General Fund	321,310	321,310	0
Court Capital Improvement Fund	573,171	265,378	307,793
	<u>894,481</u>	<u>586,688</u>	<u>307,793</u>
<i>2004 Asphalt Paving:</i>			
General Fund	267,682	0	267,682
<i>Leland Avenue Sewer Main:</i>			
Sewer Fund	137,162	128,507	8,655
<i>J. Terrell Reservoir Renovation:</i>			
Water Fund	10,000	5,186	4,814
<i>Intermodal Hub Study:</i>			
Intermodal Hub Fund	52,378	52,378	0
<i>Putnam and 7th Street Signal:</i>			
Street Fund	5,600	5,600	0
<i>Total Capital Asset Projects:</i>	<u>6,169,492</u>	<u>5,403,263</u>	<u>766,229</u>
<u>Non-Capital Asset Projects:</u>			
<i>Tiber Way Sink Hole Repair:</i>			
General Fund	163,922	77,585	86,337
Street Fund	1,334	0	1,334
	<u>165,256</u>	<u>77,585</u>	<u>87,671</u>
<i>Brick Street Repairs:</i>			
General Fund	43,940	0	43,940
<i>Wastewater Treatment Plant Facilities Master Plan:</i>			
Sewer Fund	64,800	64,189	611
<i>Total Non-Capital Asset Projects:</i>	<u>273,996</u>	<u>141,774</u>	<u>132,222</u>
Total All Projects	<u>\$6,443,488</u>	<u>\$5,545,037</u>	<u>\$898,451</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2004, were as follows:

	Principal Outstanding 12/31/03	Additions	Deletions	Principal Outstanding 12/31/04	Amounts Due in One Year
Governmental Activities:					
Pension Bonds					
1999 - \$500,000 @ 3.75% - 4.0%	\$90,000	\$0	\$90,000	\$0	\$0
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	173,000	0	6,500	166,500	6,500
Total Bonds	<u>263,000</u>	<u>0</u>	<u>96,500</u>	<u>166,500</u>	<u>6,500</u>
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	186,151	0	16,101	170,050	8,171
Capital Facilities Bond					
Anticipation Note - 3.05%	0	1,000,000	0	1,000,000	0
Compensated Absences - Sick Leave	564,685	33,722	45,350	553,057	0
Total Governmental Activities	<u>\$1,013,836</u>	<u>\$1,033,722</u>	<u>\$157,951</u>	<u>\$1,889,607</u>	<u>\$14,671</u>
Business-Type Activities:					
<u>Bonds:</u>					
Sewer Refunding Bonds					
1999 - \$1,215,000 @ 3.2 - 4%	\$600,000	\$0	\$140,000	\$460,000	\$145,000
Unamortized Accounting Gain	(38,247)	0	(8,912)	(29,335)	0
Total Sewer Refunding Bonds	<u>561,753</u>	<u>0</u>	<u>131,088</u>	<u>430,665</u>	<u>145,000</u>
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	5,400,000	0	215,000	5,185,000	235,000
Bond Discount	(9,241)	0	(528)	(8,713)	0
Accounting Gain	(280,008)	0	(16,000)	(264,008)	0
Total Water Refunding Bonds	<u>5,110,751</u>	<u>0</u>	<u>198,472</u>	<u>4,912,279</u>	<u>235,000</u>
Total Bonds	<u>5,672,504</u>	<u>0</u>	<u>329,560</u>	<u>5,342,944</u>	<u>380,000</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	450,685	0	15,960	434,725	8,214
Water OPWC Loan					
1996 - \$400,000 @ 0%	280,000	0	20,000	260,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$605,143 @ 2%	228,162	243,896	0	472,058	0
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	422,732	0	19,725	403,007	10,011
Total Loans	<u>1,381,579</u>	<u>243,896</u>	<u>55,685</u>	<u>1,569,790</u>	<u>28,225</u>
Compensated Absences - Sick Leave	198,070	54,279	5,358	246,991	0
Total Business-Type Activities	<u>\$7,252,153</u>	<u>\$298,175</u>	<u>\$390,603</u>	<u>\$7,159,725</u>	<u>\$408,225</u>

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

removal project. All draws have been made from the Water Glendale Tank OPWC loan, but the City did not draw the full amount of the approved loan. Therefore, a new amortization schedule needs to be established by OPWC. Compensated absences reported in the “compensated absences payable” account will be paid from the fund which the employees’ salaries are paid, which are the General Fund; the Community Development, Marietta Housing, Street, Parking, and Fire Levy Special Revenue Funds; and the Water and Sewer Enterprise Funds. Since, at year end, the City’s management had not received notice from any employee’s intent of retirement in 2005, no amounts for sick leave benefits liability are considered to be due within one year.

The Capital Facilities Bond Anticipation Note was issued to finance the State Route 7 Access Road and widening project. The notes will be repaid with the issuance of bonds after the option to refinance has expired. None of the proceeds were spent towards the project as of year end.

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. At December 31, 2004, \$5,152,711 remains in this account. As a result, \$5,175,000 of refunded bonds is considered defeased and the liability is removed from the statement of net assets.

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 2004 is \$16,000.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2004, are as follows:

Year	Parking Lot Bonds	
	Principal	Interest
2005	\$6,500	\$9,540
2006	7,000	9,168
2007	7,500	8,766
2008	8,000	8,338
2009	8,000	7,878
2010-2014	49,000	31,770
2015-2019	65,000	16,016
2020	15,500	888
	\$166,500	\$92,364

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2004, are as follows:

Year	Principal	Interest
2005	\$8,171	\$1,700
2006	16,588	3,155
2007	16,922	2,822
2008	17,262	2,482
2009	17,609	2,134
2010-2014	93,498	5,219
	<u>\$170,050</u>	<u>\$17,512</u>

Principal and interest requirements to retire the business-type activities bonds outstanding at December 31, 2004, are as follows:

Year	Sewer Refunding Bonds		Water Refunding Bonds	
	Principal	Interest	Principal	Interest
2005	\$145,000	\$18,400	\$235,000	\$182,708
2006	155,000	12,600	245,000	178,008
2007	160,000	6,400	250,000	173,108
2008	0	0	255,000	167,732
2009	0	0	260,000	161,230
2010-2014	0	0	1,430,000	674,837
2015-2019	0	0	1,720,000	385,826
2020-2021	0	0	790,000	51,193
	<u>\$460,000</u>	<u>\$37,400</u>	<u>\$5,185,000</u>	<u>\$1,974,642</u>

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2004, are as follows:

Year	OPWC Loans			OWDA Loan	
	Sewer		Water	Sewer	
	Principal	Interest	Principal	Principal	Interest
2005	\$10,011	\$4,030	\$10,000	\$8,214	\$8,372
2006	20,323	7,759	20,000	16,741	16,430
2007	20,731	7,351	20,000	17,399	15,772
2008	21,148	6,934	20,000	27,388	22,370
2009	21,573	6,509	20,000	19,158	14,013
2010-2014	114,546	25,864	100,000	95,962	53,310
2015-2019	126,529	13,879	70,000	128,076	37,784
2020-2022	68,146	2,059	0	121,787	10,898
	<u>\$403,007</u>	<u>\$74,385</u>	<u>\$260,000</u>	<u>\$434,725</u>	<u>\$178,949</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

As of December 31, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$22,009,992. Pursuant to State statute, economic development revenue bonds were issued for \$2,820,000 in 1997 for Marietta College. The amount outstanding as of December 31, 2004, is \$1,425,000. The proceeds of the bonds are used by the College for energy management equipment. The bonds are to be repaid by the College and do not represent an obligation of the City.

NOTE 17 - INTERFUND TRANSFERS AND BALANCES

Transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them. The transfers made by the City in 2004 from the General Fund to the Court Special Revenue Fund for \$42,010 represented the City's required local share for grant funding.

Interfund balances at year end consisted of services provided by the General Fund to the Community Development Fund and unpaid advances made from the General Fund to the remaining funds listed.

	Receivables
Payables	General Fund
Community Development	
Major Fund	\$1,768
Other Nonmajor	
Governmental Funds	328,200
Water Enterprise Fund	27,511
Sewer Enterprise Fund	1,730
 Total All Funds	 \$359,209

NOTE 18 - 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 2004. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is comprised of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties provides administrative services to these governments in specific programs. During 2004, the Corporation did not receive any administrative fees from the City. These fees were received by the Corporation directly from the granting agencies. The continued existence of the Corporation is not dependent on the City's continued participation and no equity interest exists.

C. The Wood, Washington, and Wirt Planning Commission

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 2004, 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 19 - 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, 2004.

B. Litigation

The City of Marietta is currently a party to pending litigation seeking damages or injunctive relief as confirmed by the City Law Director.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 20 – SUBSEQUENT EVENT

The City retired the \$1,000,000 capital facilities bond anticipation note on June 21, 2005, with the issuance of a new \$1,000,000 bond anticipation note bearing a 4.00% interest rate. The note will mature on June 21, 2006.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

FEDERAL GRANTOR	Pass Through	Federal	
<i>Pass Through Grantor</i>	Entity	CFDA	
Program Title	Number	Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct Award</i>			
Community Development Block Grant - Entitlement Program 2003		14.218	\$454,599
Community Development Block Grant - Entitlement Program 2004		14.218	232,930
Total Community Development Block Grant - Entitlement Program			<u>687,529</u>
Section 8 Housing Choice Vouchers		14.871	<u>1,332,385</u>
Total U.S. Department of Housing and Urban Development			2,019,914
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Attorney General's Office</i>			
Crime Victim Assistance Grant	2004VAGENE329	16.575	18,608
	2005VAGENE329	16.575	6,496
Total Crime Victim Assistance Grant			<u>25,104</u>
<i>Passed through the Governor's Office of Criminal Justice Services</i>			
Byrne Memorial Grant	2003-DG-F01-7392	16.579	<u>126,030</u>
Total U.S. Department of Justice			151,134
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	WAS-MARIETTA-CUTLER ST.	20.205	58,752
	WAS-BKWY1-0.00	20.205	428,391
Total Highway Planning and Construction			<u>487,143</u>
Total U.S. Department of Transportation			487,143
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Health</i>			
Immunization Grants	84-2-001-2-AZ-03	93.268	5,466
	84-2-001-2-AZ-04	93.268	18,960
Total Immunization Grants			<u>24,426</u>
Total U.S. Department of Health and Human Services			24,426
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through the Ohio Emergency Management Agency</i>			
Public Assistance Grants	FEMA-OH-DR1556	97.036	355,492
	FEMA-OH-DR1507	97.036	15,147
Total Public Assistance Grants			<u>370,639</u>
Total U.S. Department of Homeland Security			<u>370,639</u>
Total Federal Awards Expenditures			<u><u>\$3,053,256</u></u>

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

**CITY OF MARIETTA
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

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

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

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

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2004, the gross amount of loans outstanding under this program was \$106,067.

NOTE D – MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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 43701

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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2005. 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 to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated November 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. In a separate letter to the City's management dated November 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 23, 2005



**Auditor of State
Betty Montgomery**

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

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

To the City Council:

Compliance

We have audited the compliance of the City of Marietta, Washington County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2004-003. In a separate letter to the City's management dated November 23, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying Schedule of Findings as item 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not believe the reportable condition described above is a material weakness. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated November 23, 2005.

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



Betty Montgomery
Auditor of State

November 23, 2005

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant – Entitlement Program – C.F.D.A. #14.218; Highway Planning and Construction Grant – C.F.D.A. #20.205; and Public Assistance Grants (FEMA) – C.F.D.A. #97.036
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004
(Continued)**

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

FINDING NUMBER 2004-001

Finding for Recovery

Ohio Rev. Code Section 1901.11(B)(1)(a) states that judges designated as full-time judges by Section 1901.08 of the Revised Code shall receive as compensation sixty-one thousand seven hundred fifty dollars (\$61,750) per annum. Ohio Rev. Code Section 1901.11(B)(2) states that the presiding judge of a municipal court who is also the administrative judge of the court, shall receive, pursuant to division (C) of this Section, an additional one thousand five hundred dollars (\$1,500) per annum. Ohio Rev. Code Section 1901.11(C) states that the compensation of municipal judges may be paid in either biweekly installments or semimonthly installments, three-fifths of the amount being payable from the city treasury and two-fifths of the amount being payable from the treasury of the county in which the municipal corporation is situated. For the purposes of this Finding for Recovery, the additional compensation received from the State Treasury pursuant to Ohio Rev. Code Sections 141.04(A)(5)(c) and (E)(3) is not being considered.

Judge William M. Nuzum, Marietta Municipal Court Judge, was entitled to be paid \$63,250 per annum, 60% of which should have been paid by the City (\$37,950). However, according to the 2004 payroll records and W-2 form, Judge Nuzum was compensated for an additional \$1,460 due to an error in calculating the amount due as the administrative judge by the City Auditor's Office. This error was caused from having 27 pays in 2004. This resulted in overcompensation in the amount of \$1,460 as shown in the following table:

Amount paid by City in 2004	\$38,465
Amount due per ORC Section 1901.11	37,950
Amount deducted to comply with July 29, 2003 agreement for repayment of 1998-2001 salary overpayment Finding Number 2001-21084-001	<u>945</u>
Total amount due for 2004	37,005
Amount overpaid in 2004	\$1,460

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against William M. Nuzum, III, Municipal Court Judge, and Sharon Reed Adams, City Auditor, and Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$1,460, in favor of the General Fund of the City of Marietta.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004
(Continued)**

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

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(3) requires that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. Ohio Rev. Code Section 5705.36(A)(5) provides that the amended certificate of estimated resources certified prior to making the appropriation from each fund, should not exceed the total estimated revenue.

Amended certificates were obtained throughout the year, but the actual receipts were significantly less than the budgeted receipts at December 31, 2004 in the following funds indicating that other reduced amended certificates should have been obtained. The expenditures exceeded the unencumbered fund balance at January 1, 2004 plus actual receipts for the CDBG Fund and Capital Improvement Fund:

Fund	Actual Receipts	Estimated Revenue	Variance
Special Revenue Fund Type:			
CDBG	\$1,955,654	\$2,412,746	(\$457,092)
Capital Improvement	\$373,522	\$386,263	(\$12,741)

We recommend the City obtain reduced amended certificates if the amount of the deficiency will reduce available resources below the current level of appropriation. We further recommend that the City obtain increased amended certificates if the legislative authority intends to appropriate and expend the excess revenue.

FINDING NUMBER 2004-003

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2004-004
CFDA Title and Number	Community Development Block Grant – Entitlement Program – C.F.D.A. #14.218
Federal Award Number / Year	B-03/04-MC-39-0018/2003-2004
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	None

Noncompliance Citation/Reportable Condition

Allowable Costs/Cost Principles

OMB Cost Principles Circular A-87, Attachment B, Section 11 (h)(4), now Section 8 (h)(4), effective June 9, 2004 states where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2004-003 (Continued)

Noncompliance Citation/Reportable Condition (Continued)

Allowable Costs/Cost Principles (Continued)

OMB Circular A-87, Attachment B, paragraph 8h(4) (Continued)

The City has established pre-determined percentages to allocate payroll expenditures to various funds for all employees in the Community Development Department. These percentages were established under Ordinance 114 (80-81) for the Community Development Administrator and Ordinance 18 (88-89) for the Housing Specialist and Clerk. There is no formal documentation to support these percentages. There has been no adjustment or evidence of re-evaluation of the percentages to allow the percentages to be supported by the level of effort on a particular project. The Community Development employees prepare timesheets but the timesheets do not show a breakdown of time spent in each area. This could lead to the City charging salaries and benefits in excess of those allowed for actual costs of the Federal award.

We recommend the City require the Community Development employees to document hours spent in each area and charge the applicable fund for the related portion of salary and benefit costs. This would eliminate using the percentages established in 1980 and 1986.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code Section 5705.39 – total appropriations exceeded total estimated resources	No	Not Corrected; repeated in Management Letter
2003-002	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations	No	Not Corrected; repeated in Management Letter
2003-003	24 CFR Section 570.504 – no procedures in place to allow for proper calculation of draw down requests and compliance with requirements to spend program income prior to requesting federal CDBG dollars	No	Not Corrected; the noncompliance citation is repeated in the Management Letter.
2003-004	Lack of internal controls related to communication, recordkeeping, and monitoring of federal programs; no procedures to reconcile grant records to City's financial records;	No	Not Corrected; repeated in Management Letter
2003-005	Exceeded maximum planning and administrative CDBG Entitlement Program Grant expense allowed for fiscal year	Yes	
2001-21084-001	Ohio Rev. Code Section 1901.11 – Finding for Recovery against the Municipal Court Judge	No	Partially Corrected – first installment of \$405.09 paid in 2003; 2004 payments amounted to \$944.85 making a total of \$1,349.94 paid back as of December 31, 2004. Balance of \$2,250.06 to be paid back over the next 2 ½ years. Additional Finding for Recovery in 2004 for overpayment of 2004 salary; see Finding Number 2004-001 in the Schedule of Findings.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The City Auditor has met with the Judge and has decided on a repayment plan. This finding is scheduled to be repaid through a deduction in the Judge's gross pay starting with the November 4, 2005 payperiod and is scheduled to be repaid by December 31, 2005.	December 31, 2005	Sharon Adams, City Auditor
2004-002	The City Auditor intends to more closely monitor the estimated receipts to determine if a reduced amended certificate is required.	Ongoing	Sharon Adams, City Auditor
2004-003	The Community Development office intends to determine the best process for preparing timesheets to take into consideration the grant program being worked on by each employee.	Ongoing	Tom Kunz, Community Development Administrator



**Auditor of State
Betty Montgomery**

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**CITY OF MARIETTA
WASHINGTON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2005**