

**CITY OF MARIETTA
WASHINGTON COUNTY
Single Audit
For the Year Ended December 31, 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

City Council
City of Marietta
308 Putnam Street
Marietta, Ohio 45750

We have reviewed the *Independent Accountants' Report* of the City of Marietta, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Marietta is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

December 20, 2012

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**CITY OF MARIETTA
WASHINGTON COUNTY**

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WASHINGTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

September 21, 2012

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

To the Honorable Mayor and Members of 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, 2011, 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, Street Fund and Community Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information required by the 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. The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$1,372,548. Net assets of governmental activities increased \$881,575. The business-type activities also increased \$490,973.
- General governmental revenues accounted for \$10,899,771 in revenue or 55% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,777,040 or 45% of total revenues of \$19,676,811.

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 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Marietta, Ohio
Management's Discussion and Analysis
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In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

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

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

Reporting the City of Marietta's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 14. 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, Court Capital Improvement, Sewer, and Water Funds.

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

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

The City of Marietta as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2011 compared to 2010.

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

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$12,983,843	\$10,082,847	\$6,989,368	\$5,485,004	\$19,973,211	\$15,567,851
Capital Assets, Net	25,609,123	23,005,924 *	11,704,517	11,971,927	37,313,640	34,977,851
<i>Total Assets</i>	<u>38,592,966</u>	<u>33,088,771</u>	<u>18,693,885</u>	<u>17,456,931</u>	<u>57,286,851</u>	<u>50,545,702</u>
Liabilities						
Current and Other Liabilities	4,313,152	2,544,249	766,521	863,233	5,079,673	3,407,482
Long-term Liabilities						
Due Within One Year	105,083	140,561	347,362	455,939	452,445	596,500
Due in More Than One Year	4,652,467	1,763,272	6,810,839	5,859,569	11,463,306	7,622,841
<i>Total Liabilities</i>	<u>9,070,702</u>	<u>4,448,082</u>	<u>7,924,722</u>	<u>7,178,741</u>	<u>16,995,424</u>	<u>11,626,823</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	22,959,443	21,588,858 *	6,865,539	7,030,760	29,824,982	28,619,618
Restricted:						
Street	891,528	1,093,220	-	-	891,528	1,093,220
Cemetery	26,144	11,724	-	-	26,144	11,724
Community Development	637,787	625,535	-	-	637,787	625,535
Fire Operations	106,494	120,008	-	-	106,494	120,008
Police Operations	47,096	52,622	-	-	47,096	52,622
Court Operations	303,577	234,168	-	-	303,577	234,168
Recreation	435,547	520,272	-	-	435,547	520,272
Health	104,969	154,868	-	-	104,969	154,868
Debt Service	-	-	23,750	22,917	23,750	22,917
Capital Proejcts	1,961,051	2,376,654	-	-	1,961,051	2,376,654
Perpetual Care:						
Expendable	2,589	5,359	-	-	2,589	5,359
Non-expendable	444,728	440,003	-	-	444,728	440,003
Park Non-expendable Trust	750	750	-	-	750	750
Unclaimed Monies	16,525	22,604	-	-	16,525	22,604
Other Purposes	96,756	29,599	-	-	96,756	29,599
Unrestricted	1,487,280	1,364,445	3,879,874	3,224,513	5,367,154	4,588,958
<i>Total Net Assets</i>	<u>\$29,522,264</u>	<u>\$28,640,689</u>	<u>\$10,769,163</u>	<u>\$10,278,190</u>	<u>\$40,291,427</u>	<u>\$38,918,879</u>

* Restated - See Note 3

Total assets increased \$6,741,149. Governmental activities increased \$5,504,195, while the business-type activities increased \$1,236,954. Total liabilities increased \$5,368,601. Governmental activities increased \$4,622,620 while the business-type activities increased \$745,981.

For governmental activities, equity in pooled cash and cash equivalents increased \$2,362,615 due mainly from unspent amounts from the note proceeds for the Municipal Court building renovation. Intergovernmental receivables increased \$614,649 and capital assets increased \$2,603,199. Current liabilities increased \$1,768,903 mainly from a \$1,332,332 increase in contracts payable related to the Municipal Court. Long-term liabilities increased \$2,853,717 also from the issuance of bond anticipation notes for the Municipal Court.

For business-type activities, equity in pooled cash and cash equivalents increased \$1,612,274, while capital assets decreased \$267,410. Long-term liabilities increased \$842,693.

City of Marietta, Ohio
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Table 2 shows the changes in net assets for the year ended December 31, 2011, and comparisons to 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	\$3,150,015	\$3,291,302	\$6,174,612	\$5,838,811	\$9,324,627	\$9,130,113
Operating Grants, Contributions and Interest	3,604,238	4,805,101	-	-	3,604,238	4,805,101
Capital Grants and Contributions	2,022,787	2,348,928	-	-	2,022,787	2,348,928
Total Program Revenues	8,777,040	10,445,331	6,174,612	5,838,811	14,951,652	16,284,142
General Revenues						
Property Taxes	521,496	549,977	-	-	521,496	549,977
Hotel Tax	293,413	272,768	-	-	293,413	272,768
Income Tax	8,215,589	7,745,327	-	-	8,215,589	7,745,327
Payments in Lieu of Taxes	239,580	277,349	-	-	239,580	277,349
Franchise Taxes	214,381	208,378	-	-	214,381	208,378
Grants and Entitlements	1,128,059	926,321	-	-	1,128,059	926,321
Investment Earnings	124,971	96,770	17,807	11,025	142,778	107,795
Gain on Sale of Capital Assets	-	-	28,856	-	28,856	-
Other	162,282	127,331	87,972	55,438	250,254	182,769
Total General Revenues	10,899,771	10,204,221	134,635	66,463	11,034,406	10,270,684
Total Revenues	19,676,811	20,649,552	6,309,247	5,905,274	25,986,058	26,554,826
Program Expenses						
General Government:						
Legislative and Executive	3,643,193	4,268,342	-	-	3,643,193	4,268,342
Court	1,645,677	1,045,515	-	-	1,645,677	1,045,515
Security of Persons and Property:						
Police	3,289,443	3,147,435	-	-	3,289,443	3,147,435
Fire	3,464,092	3,503,120	-	-	3,464,092	3,503,120
Public Health Services	841,815	877,863	-	-	841,815	877,863
Community Environment	342,976	1,177,174	-	-	342,976	1,177,174
Intergovernmental	2,052,822	2,198,869	-	-	2,052,822	2,198,869
Street	2,815,025	2,770,748	-	-	2,815,025	2,770,748
Transportation	1,184	4,377	-	-	1,184	4,377
Leisure Time Activities	602,751	542,343	-	-	602,751	542,343
Interest and Fiscal Charges	96,258	43,103	-	-	96,258	43,103
Sewer	-	-	2,829,591	2,779,990	2,829,591	2,779,990
Water	-	-	2,988,683	3,180,110	2,988,683	3,180,110
Total Program Expenses	18,795,236	19,578,889	5,818,274	5,960,100	24,613,510	25,538,989
Increase (Decrease) in Net Assets	881,575	1,070,663	490,973	(54,826)	1,372,548	1,015,837
Net Assets Beginning of Year	28,640,689	27,570,026	10,278,190	10,333,016	38,918,879	37,903,042
Net Assets End of Year	\$29,522,264	\$28,640,689	\$10,769,163	\$10,278,190	\$40,291,427	\$38,918,879

* Restated - See Note 3

City of Marietta, Ohio
Management's Discussion and Analysis
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Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.7 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 42 and 34 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 64 percent of all program revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

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

Security of persons and property is another major activity of the City, generating 36% of the governmental expenses. During 2011, expenses for police and fire operations amounted to \$3,289,443 and \$3,464,092, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities. The operations of the fire department are also being supplemented by the third-party billing.

Street activities of the City accounted for 15% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2011 amounted to \$2,815,025.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2011, the City collected \$335,801 more in charges for services over the previous year and also spent \$141,826 less.

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 \$19,388,631 and expenditures of \$21,732,511.

The fund balance of the General Fund increased \$182,429. The General Fund's Unassigned Fund Balance of \$2,074,347 represented 21% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund decreased \$450,280. The Street Fund's Restricted Fund Balance of \$323,966 represented 9% of current year expenditures.

The fund balance of the Community Development Fund decreased \$10,931. The Community Development Fund had a restricted fund balance of \$232,764 at year end. This fund accounts for federal grant monies under the Community Development Block Grant program for projects to improve the community within the City.

City of Marietta, Ohio
Management's Discussion and Analysis
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The fund balance of the Court Capital Improvement Fund increased \$1,244,147. The Fund has a restricted fund balance of \$1,468,876.

During 2011, the Sewer Fund had operating revenues of \$2,805,835 and operating expenses of \$2,832,598. The Water Fund had operating revenues of \$2,933,514 and operating expenses of \$2,745,759. The major expenses for these funds are salaries and wages, contractual services, and depreciation on capital assets.

General Fund Budgeting Highlights

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

During the course of 2011, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council.

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

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

Original budgeted revenues were increased \$77,865; various accounts were slightly increased or decreased. The original appropriations were increased \$1,381,073. All programs were increased except debt service.

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

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

Capital Assets

Table 3 shows year 2011 balances compared to 2010.

(Table 3)
 Capital Assets at December 31, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010*	2011	2010**	2011	2010
Land	\$1,198,984	\$1,021,534	\$447,100	\$447,100	\$1,646,084	\$1,468,634
Buildings and Improvements	5,267,385	4,985,409	124,345	129,769	5,391,730	5,115,178
Machinery and Equipment	1,086,852	1,142,801	368,986	387,234	1,455,838	1,530,035
Vehicles	783,204	691,944	130,399	59,217	913,603	751,161
Infrastructure	9,669,295	10,014,180	9,127,883	9,849,255	18,797,178	19,863,435
Construction in Progress	7,603,403	5,150,056	1,505,804	1,099,352	9,109,207	6,249,408
Totals	\$25,609,123	\$23,005,924	\$11,704,517	\$11,971,927	\$37,313,640	\$34,977,851

* Restated - See Note 3

** Reclassified - See Note 11

The City's capital assets for governmental and business-type activities as of December 31, 2011, were \$37,313,640 (net of accumulated depreciation). This includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

For governmental activities, capital asset additions during 2011 included \$1,170,671 for infrastructure improvements, \$4,185,358 for ongoing capital projects, \$554,339 for building improvements, \$153,747 on machinery and equipment, and \$256,633 for vehicles.

For business-type activities, major capital asset additions during 2011 included \$148,222 for machinery and equipment, \$89,067 for vehicles, and \$406,452 for ongoing capital projects.

Note 11 (Capital Assets) provides capital asset activity during 2011.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Debt

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

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
2000 Parking Lot Bonds	\$ 111,500	\$ 120,500	\$ -	\$ -
1999 Third Street Paving OPWC Loan	47,912	66,419	-	-
Capital Facilities Bond				
Anticipation Note:				
Short-term	405,500	238,000	-	-
Long-term	3,438,500	494,000	-	-
Water Bond Anticipation Note:				
Short-term	-	-	50,000	50,000
Long-term	-	-	1,613,000	1,117,000
Sewer Bond Anticipation Note:				
Short-term	-	-	32,000	48,000
Long-term	-	-	562,000	111,000
Energy Conservation Loan	356,200	410,200	-	-
2003 Water Refunding Bonds	-	-	3,237,979	3,496,450
2007 Sewer OWDA Loan	-	-	-	280,687
2011 Sewer OWDA Loan	-	-	516,102	-
2002 Sewer OWDA Loan	-	-	305,432	326,139
1996 Water OPWC Loan	-	-	120,000	140,000
2004 Water OPWC Loan	-	-	344,365	366,380
2000 Sewer OPWC Loan	-	-	253,373	276,046
Totals	\$ 4,359,612	\$ 1,329,119	\$ 7,034,251	\$6,211,702

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5% of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2011, is \$21,741,071.

Additional information on the City's debt can be found in Notes 17 and 18 of this report.

City of Marietta, Ohio
Management's Discussion and Analysis
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Current Financial Issues

The City is facing financial pressures like many other forms of government. Our costs are mostly personnel and will comprise over 80 percent of the General Fund expenditures. The yearly increase in personnel costs are projected at nearly 5% of current General Fund appropriations.

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

Income tax receipts have actually increased in 2011 after dropping for the previous three years. The income tax revenue comprises over one half of the total revenue for the General Fund.

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

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

Contacting the City Auditor's Department

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

City of Marietta, Ohio
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 8,060,712	\$ 5,378,194	\$ 13,438,906
Cash and Cash Equivalents in Segregated Accounts	53,948	207,812	261,760
Cash and Cash Equivalents with Fiscal Agents	-	35,469	35,469
Investments	315,434	100,000	415,434
Hotel Taxes Receivable	17,757	-	17,757
Permissive Motor Vehicle License Receivable	2,777	-	2,777
Accounts Receivable	110,285	1,015,974	1,126,259
Payments in Lieu of Taxes Receivable	241,088	-	241,088
Accrued Interest Receivable	3,357	-	3,357
Intergovernmental Receivable	2,548,944	-	2,548,944
Municipal Income Tax Receivable	920,856	-	920,856
Loans Receivable	43,839	-	43,839
Materials and Supplies Inventory	68,733	85,034	153,767
Prepaid Items	82,736	73,211	155,947
Property Taxes Receivable	513,377	-	513,377
Deferred Charges	-	93,674	93,674
Non-Depreciable Capital Assets	8,802,387	1,952,904	10,755,291
Depreciable Capital Assets, Net	<u>16,806,736</u>	<u>9,751,613</u>	<u>26,558,349</u>
<i>Total Assets</i>	<u>38,592,966</u>	<u>18,693,885</u>	<u>57,286,851</u>
Liabilities			
Accounts Payable	249,826	77,247	327,073
Contracts Payable	1,433,776	44,401	1,478,177
Accrued Wages Payable	215,798	61,566	277,364
Retainage Payable	158,895	-	158,895
Matured Compensated Absences Payable	18,778	-	18,778
Accrued Interest Payable	48,293	41,694	89,987
Intergovernmental Payable	546,001	78,695	624,696
Vacation and Compensatory Benefits Payable	753,351	177,956	931,307
Deferred Revenue	482,934	-	482,934
Customer Deposits Payable	-	202,962	202,962
Notes Payable	405,500	82,000	487,500
Long-Term Liabilities:			
Due Within One Year	105,083	347,362	452,445
Due In More Than One Year	<u>4,652,467</u>	<u>6,810,839</u>	<u>11,463,306</u>
<i>Total Liabilities</i>	<u>9,070,702</u>	<u>7,924,722</u>	<u>16,995,424</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	22,959,443	6,865,539	29,824,982
Restricted for:			
Street	891,528	-	891,528
Cemetery	26,144	-	26,144
Community Development	637,787	-	637,787
Fire Operations	106,494	-	106,494
Police Operations	47,096	-	47,096
Court Operations	303,577	-	303,577
Recreation	435,547	-	435,547
Health	104,969	-	104,969
Debt Service	-	23,750	23,750
Capital Projects	1,961,051	-	1,961,051
Perpetual Care:			
Expendable	2,589	-	2,589
Non-expendable	444,728	-	444,728
Park - Non-expendable	750	-	750
Unclaimed Monies	16,525	-	16,525
Other Purposes	96,756	-	96,756
Unrestricted	<u>1,487,280</u>	<u>3,879,874</u>	<u>5,367,154</u>
<i>Total Net Assets</i>	<u>\$29,522,264</u>	<u>\$ 10,769,163</u>	<u>\$40,291,427</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government:							
Legislative and Executive	\$ 3,643,193	\$ 977,148	\$ 157,491	\$ -	\$ (2,508,554)	\$ -	\$ (2,508,554)
Court	1,645,677	796,439	154,906	-	(694,332)	-	(694,332)
Security of Persons and Property:							
Police	3,289,443	52,213	37,225	9,537	(3,190,468)	-	(3,190,468)
Fire	3,464,092	567,717	-	-	(2,896,375)	-	(2,896,375)
Public Health Services	841,815	287,276	68,392	3,000	(483,147)	-	(483,147)
Community Environment	342,976	-	425,374	-	82,398	-	82,398
Intergovernmental	2,052,822	-	2,052,822	-	-	-	-
Street	2,815,025	38,612	707,528	2,007,450	(61,435)	-	(61,435)
Transportation	1,184	-	-	-	(1,184)	-	(1,184)
Leisure Time Activities	602,751	430,610	500	2,800	(168,841)	-	(168,841)
Interest and Fiscal Charges	96,258	-	-	-	(96,258)	-	(96,258)
<i>Total Governmental Activities</i>	<u>18,795,236</u>	<u>3,150,015</u>	<u>3,604,238</u>	<u>2,022,787</u>	<u>(10,018,196)</u>	<u>-</u>	<u>(10,018,196)</u>
Business-Type Activities							
Sewer	2,829,591	3,243,228	-	-	-	413,637	413,637
Water	2,988,683	2,931,384	-	-	-	(57,299)	(57,299)
<i>Total Business-Type Activities</i>	<u>5,818,274</u>	<u>6,174,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,338</u>	<u>356,338</u>
<i>Total</i>	<u>\$ 24,613,510</u>	<u>\$ 9,324,627</u>	<u>\$ 3,604,238</u>	<u>\$ 2,022,787</u>	<u>(10,018,196)</u>	<u>356,338</u>	<u>(9,661,858)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					505,592	-	505,592
Debt Service					15,904	-	15,904
Income Taxes Levied for:							
General Purposes					5,918,604	-	5,918,604
Street					918,794	-	918,794
Fire Operations					918,794	-	918,794
Capital Outlay					459,397	-	459,397
Payments in Lieu of Taxes					239,580	-	239,580
Hotel Tax					293,413	-	293,413
Franchise Taxes					214,381	-	214,381
Grants and Entitlements not Restricted to Specific Programs					1,128,059	-	1,128,059
Sale of Capital Assets					-	28,856	28,856
Investment Earnings					124,971	17,807	142,778
Other					162,282	87,972	250,254
<i>Total General Revenues</i>					<u>10,899,771</u>	<u>134,635</u>	<u>11,034,406</u>
<i>Change in Net Assets</i>					881,575	490,973	1,372,548
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>28,640,689</u>	<u>10,278,190</u>	<u>38,918,879</u>
<i>Net Assets End of Year</i>					<u>\$ 29,522,264</u>	<u>\$ 10,769,163</u>	<u>\$ 40,291,427</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio

*Balance Sheet
Governmental Funds
December 31, 2011*

	General	Street	Community Development	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 2,116,009	\$ 453,151	\$ 60,938	\$ 2,387,538	\$ 3,026,551	\$ 8,044,187
Cash and Cash Equivalents in Segregated Accounts	36,039	-	-	12,667	5,242	53,948
Restricted Cash	16,525	-	-	-	-	16,525
Investments	-	-	-	-	315,434	315,434
Receivables:						
Hotel Taxes	17,757	-	-	-	-	17,757
Permissive Motor Vehicle License Accounts	-	2,777	-	-	-	2,777
Payments in Lieu of Taxes	77,901	888	-	-	31,496	110,285
Accrued Interest	-	-	-	-	241,088	241,088
Interfund	1,100	270	-	-	1,987	3,357
Municipal Income Tax	6,890	-	-	-	-	6,890
Loans	682,301	95,422	-	-	143,133	920,856
Property Taxes	-	-	-	-	43,839	43,839
Intergovernmental	496,989	-	-	-	16,388	513,377
Materials and Supplies Inventory	499,027	1,289,493	536,476	-	223,948	2,548,944
Prepaid Items	27,808	40,925	-	-	-	68,733
	64,682	7,059	486	-	10,509	82,736
Total Assets	\$ 4,043,028	\$ 1,889,985	\$ 597,900	\$ 2,400,205	\$ 4,059,615	\$ 12,990,733
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 198,489	\$ 9,372	\$ 3,182	\$ -	\$ 38,783	\$ 249,826
Contracts Payable	-	817,186	1,158	611,038	4,394	1,433,776
Accrued Wages Payable	160,580	18,585	1,208	-	35,425	215,798
Retainage Payable	-	8,151	-	150,744	-	158,895
Accrued Interest Payable	-	-	-	2,047	2,909	4,956
Vacation Leave Payable	11,127	-	-	-	-	11,127
Matured Compensated Absences Payable	18,778	-	-	-	-	18,778
Intergovernmental Payable	433,165	23,584	5,039	-	84,213	546,001
Deferred Revenue	820,430	641,157	354,063	-	426,534	2,242,184
Interfund Payable	-	-	-	-	6,890	6,890
Notes Payable	-	-	-	167,500	238,000	405,500
Total Liabilities	1,642,569	1,518,035	364,650	931,329	837,148	5,293,731
Fund Balances						
Nonspendable	109,015	47,984	486	-	495,800	653,285
Restricted	-	323,966	232,764	1,468,876	2,669,870	4,695,476
Committed	-	-	-	-	65,529	65,529
Assigned	217,097	-	-	-	-	217,097
Unassigned	2,074,347	-	-	-	(8,732)	2,065,615
Total Fund Balances	2,400,459	371,950	233,250	1,468,876	3,222,467	7,697,002
Total Liabilities and Fund Balances	\$ 4,043,028	\$ 1,889,985	\$ 597,900	\$ 2,400,205	\$ 4,059,615	\$ 12,990,733

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, 2011*

Total Governmental Fund Balances \$ 7,697,002

*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. 25,609,123

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

Investment Earnings	1,780	
Property Taxes	30,443	
Charges for Services	31,379	
Estate Taxes	66,675	
Municipal Income Tax	140,676	
Payments in Lieu of Taxes	241,088	
Intergovernmental Revenues	1,247,209	
Total	1,759,250	1,759,250

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

Bonds Payable	(111,500)	
Accrued Interest Payable	(43,337)	
Loans Payable	(404,112)	
Notes Payable	(3,438,500)	
Intergovernmental Payable	(87,947)	
Compensated Absences Payable - Sick Leave	(715,491)	
Vacation and Compensatory Benefits Payable	(742,224)	
Total	(5,543,111)	(5,543,111)

Net Assets of Governmental Activities **\$ 29,522,264**

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, 2011

	General	Street	Community Development	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 510,012	\$ -	\$ -	\$ -	\$ 15,904	\$ 525,916
Hotel Tax	293,413	-	-	-	-	293,413
Permissive Motor Vehicle License	-	32,456	-	-	-	32,456
Municipal Income Tax	5,932,529	921,251	-	-	1,381,876	8,235,656
Payments in Lieu of Taxes	-	-	-	-	207,207	207,207
Charges for Services	1,306,514	6,156	-	-	914,255	2,226,925
Fines, Licenses and Permits	556,324	-	-	194,514	101,261	852,099
Franchise Taxes	214,381	-	-	-	-	214,381
Intergovernmental	1,255,892	2,268,013	2,361,409	-	624,495	6,509,809
Investment Earnings	94,680	2,811	-	26,398	17,763	141,652
Donations	-	-	-	-	6,351	6,351
Rent	35,718	-	-	-	-	35,718
Other	36,304	62,148	5,352	-	3,244	107,048
<i>Total Revenues</i>	<u>10,235,767</u>	<u>3,292,835</u>	<u>2,366,761</u>	<u>220,912</u>	<u>3,272,356</u>	<u>19,388,631</u>
Expenditures						
Current:						
General Government:						
Legislative and Executive	3,498,412	-	-	-	63,763	3,562,175
Court	671,164	-	-	-	171,726	842,890
Security of Persons and Property:						
Police	3,183,902	-	-	-	33,744	3,217,646
Fire	2,118,440	-	-	-	1,244,315	3,362,755
Public Health Services	368,884	-	-	-	454,132	823,016
Community Environment	-	-	324,870	-	99,517	424,387
Street	-	3,723,372	-	-	-	3,723,372
Leisure Time Activities	-	-	-	-	477,040	477,040
Capital Outlay	-	-	-	2,137,152	729,694	2,866,846
Intergovernmental	-	-	2,052,822	-	-	2,052,822
Debt Service:						
Principal Retirement	54,000	18,507	-	-	9,000	81,507
Current Refunding	-	-	-	-	238,000	238,000
Interest and Fiscal Charges	11,076	1,236	-	24,208	23,535	60,055
<i>Total Expenditures</i>	<u>9,905,878</u>	<u>3,743,115</u>	<u>2,377,692</u>	<u>2,161,360</u>	<u>3,544,466</u>	<u>21,732,511</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>329,889</u>	<u>(450,280)</u>	<u>(10,931)</u>	<u>(1,940,448)</u>	<u>(272,110)</u>	<u>(2,343,880)</u>
Other Financing Sources (Uses)						
Notes Issued	-	-	-	3,182,500	256,000	3,438,500
Proceeds from Sale of Capital Assets	-	-	-	2,095	-	2,095
Transfers In	-	-	-	-	147,460	147,460
Current Refunding	-	-	-	-	(256,000)	(256,000)
Transfers Out	(147,460)	-	-	-	-	(147,460)
<i>Total Other Financing Sources (Uses)</i>	<u>(147,460)</u>	<u>-</u>	<u>-</u>	<u>3,184,595</u>	<u>147,460</u>	<u>3,184,595</u>
<i>Net Change in Fund Balances</i>	182,429	(450,280)	(10,931)	1,244,147	(124,650)	840,715
<i>Fund Balances Beginning of Year</i>	<u>2,218,030</u>	<u>822,230</u>	<u>244,181</u>	<u>224,729</u>	<u>3,347,117</u>	<u>6,856,287</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,400,459</u>	<u>\$ 371,950</u>	<u>\$ 233,250</u>	<u>\$ 1,468,876</u>	<u>\$ 3,222,467</u>	<u>\$ 7,697,002</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ 840,715

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

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

Capital Outlay	4,766,187	
Depreciation	(2,156,738)	
Excess of Depreciation Expense Over Capital Outlay		2,609,449

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

Disposal of Capital Assets	(4,155)	
Proceeds from Sale of Capital Assets	(2,095)	
		(6,250)

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

Investment Earnings	(4)	
Property Taxes	(4,420)	
Municipal Income Tax	(20,067)	
Payments in Lieu of Taxes	32,373	
Intergovernmental Revenues	200,547	
Estate Taxes	21,700	
Miscellaneous Revenues	55,234	
Charges for Services	2,817	
Total		288,180

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. (36,203)

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. (3,438,500)

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	9,000	
Notes	494,000	
Loans	72,507	
Total		575,507

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

Vacation and Compensatory Benefits Payable	39,401	
Compensated Absences Payable - Sick Leave	9,276	
Total		48,677

Change in Net Assets of Governmental Activities **\$ 881,575**

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, 2011*

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 528,000	\$ 538,640	\$ 510,012	\$ (28,628)
Hotel Tax	250,000	250,000	290,080	40,080
Municipal Income Tax	5,606,741	5,606,741	5,997,260	390,519
Payments in Lieu of Taxes	73,000	73,000	-	(73,000)
Charges for Services	1,077,825	1,063,450	1,302,830	239,380
Fines, Licenses and Permits	558,500	572,875	554,271	(18,604)
Franchise Tax	170,000	170,000	214,785	44,785
Intergovernmental	854,492	885,187	1,200,490	315,303
Investment Earnings	90,000	90,000	94,002	4,002
Rent	8,000	8,000	35,718	27,718
Other	138,759	175,289	34,853	(140,436)
<i>Total Revenues</i>	<u>9,355,317</u>	<u>9,433,182</u>	<u>10,234,301</u>	<u>801,119</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,362,575	3,689,324	3,432,272	257,052
Court	757,832	849,798	676,094	173,704
Security of Persons and Property:				
Police	2,630,186	3,311,310	3,205,590	105,720
Fire	1,929,493	2,182,470	2,147,321	35,149
Public Health Services	404,476	432,733	376,917	55,816
Debt Service:				
Principal	54,000	54,000	54,000	-
Interest and Fiscal Charges	11,076	11,076	11,076	-
<i>Total Expenditures</i>	<u>9,149,638</u>	<u>10,530,711</u>	<u>9,903,270</u>	<u>627,441</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>205,679</u>	<u>(1,097,529)</u>	<u>331,031</u>	<u>1,428,560</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	6,028	6,028
Transfers Out	(147,460)	(149,114)	(147,460)	1,654
<i>Total Other Financing Sources (Uses)</i>	<u>(147,460)</u>	<u>(149,114)</u>	<u>(141,432)</u>	<u>7,682</u>
<i>Net Change in Fund Balance</i>	58,219	(1,246,643)	189,599	1,436,242
<i>Fund Balance Beginning of Year</i>	1,781,863	1,781,863	1,781,863	-
Prior Year Encumbrances Appropriated	34,259	34,259	34,259	-
<i>Fund Balance End of Year</i>	<u>\$ 1,874,341</u>	<u>\$ 569,479</u>	<u>\$ 2,005,721</u>	<u>\$ 1,436,242</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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Permissive Motor Vehicle License Tax	\$ 15,835	\$ 33,672	\$ 32,290	\$ (1,382)
Municipal Income Tax	902,353	902,353	940,541	38,188
Charges for Services	-	6,156	6,156	-
Intergovernmental	2,052,377	2,411,868	1,758,406	(653,462)
Special Assessments	6,744	6,744	-	(6,744)
Investment Earnings	19,137	19,137	2,630	(16,507)
Other	28,000	44,821	58,132	13,311
<i>Total Revenues</i>	<u>3,024,446</u>	<u>3,424,751</u>	<u>2,798,155</u>	<u>(626,596)</u>
Expenditures				
Current:				
Street	3,467,145	3,069,789	2,885,839	183,950
Debt Service:				
Principal Retirement	18,507	18,507	18,507	-
Interest and Fiscal Charges	1,237	1,237	1,236	1
<i>Total Expenditures</i>	<u>3,486,889</u>	<u>3,089,533</u>	<u>2,905,582</u>	<u>183,951</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(462,443)	335,218	(107,427)	(442,645)
Other Financing Sources				
Sale of Capital Assets	-	-	3,128	3,128
<i>Net Change in Fund Balance</i>	(462,443)	335,218	(104,299)	(439,517)
<i>Fund Balance Beginning of Year</i>	274,711	274,711	274,711	-
Prior Year Encumbrances Appropriated	219,585	219,585	219,585	-
<i>Fund Balance End of Year</i>	<u>\$ 31,853</u>	<u>\$ 829,514</u>	<u>\$ 389,997</u>	<u>\$ (439,517)</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
Revenues				
Intergovernmental	\$ 2,124,304	\$ 2,824,304	\$ 2,403,603	\$ (420,701)
Other	-	-	5,352	5,352
<i>Total Revenues</i>	<u>2,124,304</u>	<u>2,824,304</u>	<u>2,408,955</u>	<u>(415,349)</u>
Expenditures				
Current:				
Community Environment	680,084	407,821	389,699	18,122
Intergovernmental	1,500,000	2,052,822	2,052,822	-
<i>Total Expenditures</i>	<u>2,180,084</u>	<u>2,460,643</u>	<u>2,442,521</u>	<u>18,122</u>
<i>Net Change in Fund Balance</i>	(55,780)	363,661	(33,566)	(397,227)
<i>Fund Balance Beginning of Year</i>	<u>55,834</u>	<u>55,834</u>	<u>55,834</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 54</u>	<u>\$ 419,495</u>	<u>\$ 22,268</u>	<u>\$ (397,227)</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2011

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,608,423	\$ 1,667,555	\$ 5,275,978
Cash and Cash Equivalents in Segregated Accounts	97,809	109,257	207,066
Cash and Cash Equivalents with Fiscal Agents	-	410	410
Accounts Receivable	533,580	482,394	1,015,974
Materials and Supplies Inventory	13,075	71,959	85,034
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agents	-	35,059	35,059
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	50,086	52,130	102,216
Cash and Cash Equivalents in Segregated Accounts	366	380	746
Investments	49,000	51,000	100,000
Prepaid Items	34,396	38,815	73,211
<i>Total Current Assets</i>	<u>4,386,735</u>	<u>2,508,959</u>	<u>6,895,694</u>
Noncurrent:			
Deferred Charges	-	93,674	93,674
Non-Depreciable Capital Assets	1,545,534	407,370	1,952,904
Depreciable Capital Assets, Net	5,510,966	4,240,647	9,751,613
<i>Total Noncurrent Assets</i>	<u>7,056,500</u>	<u>4,741,691</u>	<u>11,798,191</u>
<i>Total Assets</i>	<u>11,443,235</u>	<u>7,250,650</u>	<u>18,693,885</u>
Liabilities			
Current:			
Accounts Payable	41,420	35,827	77,247
Contracts Payable	44,401	-	44,401
Accrued Wages Payable	31,201	30,365	61,566
Intergovernmental Payable	38,980	39,715	78,695
Vacation and Compensatory Benefits Payable	68,285	109,671	177,956
Accrued Interest Payable	9,651	32,043	41,694
Compensated Absences Payable	6,395	12,630	19,025
Notes Payable	32,000	50,000	82,000
Refunding Bonds Payable	-	285,000	285,000
Issue II Loans Payable	11,507	21,173	32,680
OWDA Loans Payable	10,657	-	10,657
Customer Deposits Payable from Restricted Assets	99,452	103,510	202,962
<i>Total Current Liabilities</i>	<u>393,949</u>	<u>719,934</u>	<u>1,113,883</u>
Long-Term:			
Compensated Absences Payable	18,363	168,562	186,925
Notes Payable	562,000	1,613,000	2,175,000
Refunding Bonds Payable	-	2,952,979	2,952,979
Issue II Loans Payable	241,866	443,192	685,058
OWDA Loans Payable	810,877	-	810,877
<i>Total Long-Term Liabilities</i>	<u>1,633,106</u>	<u>5,177,733</u>	<u>6,810,839</u>
<i>Total Liabilities</i>	<u>2,027,055</u>	<u>5,897,667</u>	<u>7,924,722</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,826,192	1,039,347	6,865,539
Restricted for Debt Service	-	23,750	23,750
Unrestricted	3,589,988	289,886	3,879,874
<i>Total Net Assets</i>	<u>\$ 9,416,180</u>	<u>\$ 1,352,983</u>	<u>\$ 10,769,163</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, 2011*

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$2,784,115	\$2,931,384	\$ 5,715,499
Other Operating Revenues	21,720	2,130	23,850
<i>Total Operating Revenues</i>	<u>2,805,835</u>	<u>2,933,514</u>	<u>5,739,349</u>
Operating Expenses			
Salaries and Wages	839,540	874,731	1,714,271
Fringe Benefits	471,121	476,512	947,633
Contractual Services	928,381	646,438	1,574,819
Materials and Supplies	149,903	238,873	388,776
Other Operating Expenses	35,578	16,124	51,702
Depreciation	408,075	493,081	901,156
<i>Total Operating Expenses</i>	<u>2,832,598</u>	<u>2,745,759</u>	<u>5,578,357</u>
<i>Operating Income (Loss)</i>	<u>(26,763)</u>	<u>187,755</u>	<u>160,992</u>
Non-Operating Revenues (Expenses)			
Investment Earnings	4,681	13,126	17,807
Gain on Sale of Capital Assets	18,861	-	18,861
Other Non-Operating Revenues	523,235	-	523,235
Interest and Fiscal Charges	(36,942)	(192,980)	(229,922)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>509,835</u>	<u>(179,854)</u>	<u>329,981</u>
<i>Change in Net Assets</i>	483,072	7,901	490,973
<i>Net Assets Beginning of Year</i>	<u>8,933,108</u>	<u>1,345,082</u>	<u>10,278,190</u>
<i>Net Assets End of Year</i>	<u>\$9,416,180</u>	<u>\$1,352,983</u>	<u>\$ 10,769,163</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, 2011

	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,833,683	\$ 2,963,784	\$ 5,797,467
Cash Payments for Employee Services and Benefits	(1,348,441)	(1,320,328)	(2,668,769)
Cash Payments to Suppliers for Goods and Services	(1,094,166)	(884,216)	(1,978,382)
Other Operating Revenues	25,384	3,443	28,827
Other Operating Expenses	(40,883)	(16,219)	(57,102)
Other Non-Operating Revenues	459,113	-	459,113
Customer Deposits Received	20,344	21,174	41,518
Customer Deposits Returned	(17,516)	(18,231)	(35,747)
	<u>837,518</u>	<u>749,407</u>	<u>1,586,925</u>
<i>Net Cash Provided by Operating Activities</i>			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(474,182)	(240,531)	(714,713)
Sale of Capital Assets	28,856	-	28,856
Proceeds from Sale of Bond Anticipation Notes	594,000	1,663,000	2,257,000
Loan Proceeds	782,858	-	782,858
Principal Paid on Debt	(749,823)	(1,484,015)	(2,233,838)
Interest Paid on Debt	(37,445)	(160,417)	(197,862)
	<u>144,264</u>	<u>(221,963)</u>	<u>(77,699)</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>			
Cash Flows from Investing Activities:			
Investment Earnings	4,681	13,977	18,658
	<u>986,463</u>	<u>541,421</u>	<u>1,527,884</u>
<i>Net Increase in Cash and Cash Equivalents</i>			
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,770,221</u>	<u>1,323,370</u>	<u>4,093,591</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,756,684</u>	<u>\$ 1,864,791</u>	<u>\$ 5,621,475</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
<i>Operating Income (Loss)</i>	\$ (26,763)	\$ 187,755	\$ 160,992
Adjustments:			
Other Non-Operating Revenues	459,113	-	459,113
Depreciation	408,075	493,081	901,156
(Increase)/Decrease in Assets:			
Accounts Receivable	49,568	32,400	81,968
Intergovernmental Receivable	3,664	-	3,664
Interfund Receivable	-	1,313	1,313
Materials and Supplies Inventory	(5,467)	(6,972)	(12,439)
Prepaid Items	928	1,496	2,424
Increase/(Decrease) in Liabilities:			
Accounts Payable	(10,234)	5,283	(4,951)
Accrued Wages Payable	5,006	(535)	4,471
Intergovernmental Payable	(11,028)	(7,772)	(18,800)
Vacation and Compensatory Benefits Payable	(13,980)	12,079	(1,901)
Customer Deposits Payable	2,828	2,943	5,771
Compensated Absences Payable	(24,192)	28,336	4,144
	<u>\$ 837,518</u>	<u>\$ 749,407</u>	<u>\$ 1,586,925</u>
<i>Net Cash Provided by Operating Activities</i>			

City of Marietta, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ 136,985
Hotel Taxes Receivable	17,757
Accounts Receivable	<u>1,070,711</u>
<i>Total Assets</i>	<u><u>\$ 1,225,453</u></u>
 Liabilities	
Intergovernmental Payable	\$ 89,829
Due to Others	<u>1,135,624</u>
<i>Total Liabilities</i>	<u><u>\$ 1,225,453</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 20.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 through to the Community Action Program Corporation of Washington-Morgan Counties.

Court Capital Improvement Fund To account for additional fees used for special projects of the court such as the acquisition of additional facilities and equipment.

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

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

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

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met also have been recorded as deferred revenue.

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

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

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

E. Budget Process

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

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

F. Cash and Cash Equivalents

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

During 2011, investments were limited to certificates of deposit, which are reported at cost.

Following the Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the General Fund, the Street and Gutberlet Armory Special Revenue Funds, and the Cemetery Trust Permanent Fund. Interest revenue credited to the General Fund during 2011 amounted to \$94,680, which includes \$83,975 assigned from other City funds.

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

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

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

G. Restricted Assets

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

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

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

H. Inventory

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Capital Assets

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

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

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

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

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

K. Compensated Absences

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if any.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

City of Marietta, Ohio
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Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

City of Marietta, Ohio
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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. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

Q. Interfund Assets and Liabilities

On the fund financial statements, outstanding interfund loans and unpaid amounts for internal services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

R. Bond Discount/Issuance Costs

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

S. Gain/Loss on Refunding

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

T. Extraordinary and Special Items

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

U. Estimates

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCE

The City has restated capital assets, based on corrections made to accumulated depreciation in 2010.

	<u>Governmental Activities</u>
Net Assets at December 31, 2010	\$27,635,833
Accumulated Depreciation Restatement	<u>1,004,856</u>
Restated Net Assets at December 31, 2010	<u><u>\$28,640,689</u></u>

NOTE 4 - 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 restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

City of Marietta, Ohio
Notes to the Basic Financial Statements
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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund and the Street and Community Development Special Revenue Funds.

Net Change in Fund Balance

	General	Street	Community Development
GAAP Basis	\$ 182,429	\$ (450,280)	\$ (10,931)
Net Adjustment for Revenue Accruals	13,433	(491,572)	42,194
Beginning of Year:			
Unrecorded Cash	21,973	-	-
Unrecorded Interest	4,683	158	-
Prepaid Items	64,535	6,699	515
Segregated Accounts	33,516	-	-
End of Year:			
Unrecorded Cash	(26,491)	-	-
Unrecorded Interest	(6,513)	(138)	-
Prepaid Items	(64,682)	(7,059)	(486)
Segregated Accounts	(36,039)	-	-
Net Adjustment for Expenditure Accruals	96,564	900,909	(26,188)
Encumbrances	(93,809)	(63,016)	(38,670)
Budget Basis	<u>\$ 189,599</u>	<u>\$ (104,299)</u>	<u>\$ (33,566)</u>

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General	Street	Community Development	Court Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>						
Prepays	\$ 64,682	\$ 7,059	\$ 486	\$ -	\$ 10,509	\$ 82,736
Loans	-	-	-	-	39,813	39,813
Park Endowments	-	-	-	-	750	750
Cemetery Endowments	-	-	-	-	444,728	444,728
Unclaimed Monies	16,525	-	-	-	-	16,525
Inventory	27,808	40,925	-	-	-	68,733
<i>Total Nonspendable</i>	<u>109,015</u>	<u>47,984</u>	<u>486</u>	<u>-</u>	<u>495,800</u>	<u>653,285</u>
<u>Restricted for:</u>						
Street Improvements	-	323,966	-	-	66,416	390,382
Community Development	-	-	232,764	-	62,637	295,401
Cemetery	-	-	-	-	23,330	23,330
Armory	-	-	-	-	380,639	380,639
Fire Protection	-	-	-	-	190,871	190,871
Health	-	-	-	-	103,191	103,191
Law Enforcement	-	-	-	-	44,195	44,195
Court Operations	-	-	-	-	266,352	266,352
Law Director Operations	-	-	-	-	26,213	26,213
Energy Conservation	-	-	-	-	103,440	103,440
Pool Improvements	-	-	-	-	675	675
Court Improvements	-	-	-	1,468,876	-	1,468,876
Capital Improvements	-	-	-	-	1,401,911	1,401,911
<i>Total Restricted</i>	<u>-</u>	<u>323,966</u>	<u>232,764</u>	<u>1,468,876</u>	<u>2,669,870</u>	<u>4,695,476</u>
<u>Committed to:</u>						
Recreation	-	-	-	-	56,017	56,017
Community Development	-	-	-	-	4,801	4,801
Emergency Rescue	-	-	-	-	1,211	1,211
Veterans	-	-	-	-	911	911
Cemetery Trust	-	-	-	-	2,589	2,589
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,529</u>	<u>65,529</u>
<u>Assigned to:</u>						
2012 Appropriations	179,581	-	-	-	-	179,581
Other purposes	37,516	-	-	-	-	37,516
<i>Total Assigned</i>	<u>217,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,097</u>
<u>Unassigned:</u>	<u>2,074,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,732)</u>	<u>2,065,615</u>
Total Fund Balances	<u><u>\$2,400,459</u></u>	<u><u>\$ 371,950</u></u>	<u><u>\$ 233,250</u></u>	<u><u>\$ 1,468,876</u></u>	<u><u>\$ 3,222,467</u></u>	<u><u>\$ 7,697,002</u></u>

NOTE 6 - FUND DEFICITS

The CDBG Recovery Special Revenue Fund and the Marietta Harbor Capital Projects Fund has deficit fund balances of \$2,580 and \$6,152, respectively, as of December 31, 2011. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficits will be eliminated.

City of Marietta, Ohio
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For the Year Ended December 31, 2011

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
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6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the City's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the City's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. One percent of the City's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the City. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Marietta, Ohio
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For the Year Ended December 31, 2011

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$14,293,075 and the bank balance was \$14,594,373. Of the bank balance, \$1,719,493 was covered by Federal depository insurance and \$12,874,880 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$238,134,540
Public Utility Property	<u>7,051,010</u>
Total	<u><u>\$245,185,550</u></u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2011, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while on the modified accrual basis the revenue has been deferred.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, accounts (billings for user charged services including unbilled utility services and third party billings), payments in lieu of taxes, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$43,839. 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 \$39,813.

As provided by State law, the City entered into Tax Increment Financing Agreements in 2003 with Wal-Mart Stores, Inc. and Lowes Home Improvement Center, Inc. for the purpose of expanding their stores and constructing several other retail and commercial centers. To encourage these improvements, the companies were granted an exemption from paying 75% of their property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance a public access road and road widening to these stores and will continue for ten years. A receivable has been recorded in the amount of \$241,088, which represents amounts to be received by the City in 2012.

A summary of the principal items of intergovernmental receivables follows:

City of Marietta, Ohio
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For the Year Ended December 31, 2011

Governmental Activities:	<u>Amount</u>
Ohio Public Works Commission Grant	\$ 656,164
Community Development Block Grant	384,800
Gasoline Tax and Motor Vehicle License	331,263
Estate Taxes	266,699
Ohio Department of Transportation Grant	227,483
Local Government	183,767
Housing Voucher Program	151,676
River Trail Grants	113,215
Community Corrections Grant	74,449
Federal Emergency Management Agency Reimbursements	41,594
Homestead and Rollback	33,440
Victims Information Program	24,776
Ash Removal and Canopy Restoration Grant	15,417
Stop Violence Against Women Grant	10,900
School Resource Officer Grant	10,264
Medicare	6,579
Children with Medical Handicaps Reimbursements	3,830
DARE	2,901
Health Subsidy	2,447
Other	2,013
Harmar Village Access Grant	1,910
Excess IRP	1,813
Indigent Alcohol	858
Medicaid	671
Utilities Income Tax	15
	<u>\$ 2,548,944</u>

NOTE 10 - INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds were distributed to funds in the following manner: 72% to the General Fund, 11% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, and 6% to the Capital Improvement Capital Projects Fund.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Increases	Decreases	Balance 12/31/11
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,021,534	\$ 177,450	\$ -	\$ 1,198,984
Construction in Progress	5,150,056	4,185,358	(1,732,011)	7,603,403
Total Capital Assets not being Depreciated	<u>6,171,590</u>	<u>4,362,808</u>	<u>(1,732,011)</u>	<u>8,802,387</u>
Capital Assets being Depreciated:				
Buildings and Improvements	8,718,891	554,339	(2,345)	9,270,885
Machinery and Equipment	4,954,230	153,747	(6,800)	5,101,177
Vehicles	3,397,371	256,633	(182,517)	3,471,487
Infrastructure	33,498,992	1,170,671	-	34,669,663
Total Capital Assets being Depreciated	<u>50,569,484</u>	<u>2,135,390</u>	<u>(191,662)</u>	<u>52,513,212</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,733,482)	(271,874)	1,856	(4,003,500)
Machinery and Equipment	(3,811,429)	(209,696)	6,800	(4,014,325)
Vehicles	(2,705,427)	(159,612)	176,756	(2,688,283)
Infrastructure	(23,484,812)	(1,515,556)	-	(25,000,368)
Total Accumulated Depreciation	<u>(33,735,150)</u>	<u>(2,156,738)</u>	<u>* 185,412</u>	<u>(35,706,476)</u>
Total Capital Assets being Depreciated, Net	<u>16,834,334</u>	<u>(21,348)</u>	<u>(6,250)</u>	<u>16,806,736</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,005,924</u>	<u>\$ 4,341,460</u>	<u>\$ (1,738,261)</u>	<u>\$ 25,609,123</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$116,916
General Government - Court	54,434
Security of Persons and Property:	
Police	78,203
Fire	109,932
Public Health Services	11,960
Community Environment	9,923
Street	1,565,024
Transportation	1,184
Leisure Time Activities	209,162
Total Depreciation Expense	<u>\$2,156,738</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Balance 12/31/10	Increases	Decreases	Balance 12/31/11
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 447,100	\$ -	\$ -	\$ 447,100
Construction in Progress	1,099,352	406,452	-	1,505,804
Total Capital Assets not being Depreciated	<u>1,546,452</u>	<u>406,452</u>	<u>-</u>	<u>1,952,904</u>
Capital Assets being Depreciated:				
Buildings and Improvements	263,245 *	-	-	263,245
Machinery and Equipment	4,041,410 *	148,222	(582,909)	3,606,723
Vehicles	685,400 *	89,067	-	774,467
Infrastructure	54,143,563 *	-	-	54,143,563
Total Capital Assets being Depreciated	<u>59,133,618</u>	<u>237,289</u>	<u>(582,909)</u>	<u>58,787,998</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(133,476)	(5,424)	-	(138,900)
Machinery and Equipment	(3,654,176)	(156,475)	572,914	(3,237,737)
Vehicles	(626,183)	(17,885)	-	(644,068)
Infrastructure	(44,294,308)	(721,372)	-	(45,015,680)
Total Accumulated Depreciation	<u>(48,708,143)</u>	<u>(901,156)</u>	<u>572,914</u>	<u>(49,036,385)</u>
Total Capital Assets being Depreciated, Net	<u>10,425,475</u>	<u>(663,867)</u>	<u>(9,995)</u>	<u>9,751,613</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,971,927</u>	<u>\$ (257,415)</u>	<u>\$ (9,995)</u>	<u>\$ 11,704,517</u>

* Beginning balances were reclassified.

NOTE 12 - 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 U.S. Specialty. U.S. Specialty provides commercial general liability insurance, which has a \$1,000,000 per occurrence limit with an additional \$6,000,000 in umbrella liability coverage. The following lists the coverage limits and deductibles:

<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real and Personal Property	\$94,029,691	\$1,000	
Boiler and Machinery	94,029,691	1,000	
	<u>Limit (Per</u>		
<u>Liability</u>	<u>Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$1,000,000	\$3,000,000	\$1,000
Employee Benefits	1,000,000	3,000,000	1,000
Employer Liability	1,000,000	1,000,000	0
Public Officials Wrongful Acts	1,000,000	1,000,000	5,000
Law Enforcement	1,000,000	1,000,000	5,000
Employment Practices	1,000,000	1,000,000	5,000

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were \$509,016, \$520,653, and \$439,234, respectively. For 2011, 88.70 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$11,361 made by the City and \$8,115 made by plan members.

B. Police and Firemen's Disability and Pension Fund

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$252,674 and \$322,871 for the year ended December 31, 2011, \$209,753 and \$371,426 for the year ended December 31, 2010, and \$211,792 and \$332,018 for the year ended December 31, 2009, respectively. For 2011, 72.54 percent for police and 71.16 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009, were \$203,606, \$318,177, and \$284,210, respectively. For 2011, 88.70 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

B. Police and Firemen's Disability and Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$133,769 and \$126,341 for the year ended December 31, 2011, \$111,046 and \$145,341 for the year ended December 31, 2010, and \$112,906 and \$121,992 for the year ended December 31, 2009. For 2011, 72.54 percent has been contributed for police and 71.16 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Employee Health Benefits

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

The City provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis and are paid 100% by the City. Rates are \$256.90 per week per employee. Premiums are paid from the same funds that pay the employees' salaries.

C. Compensated Absences

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

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2011, 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, 2011

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
<u>Capital Asset Projects:</u>			
<i>Putnam & 7th Street Traffic Signal:</i>			
Street Fund	\$213,083	\$206,687	\$6,396
<i>Armory Square:</i>			
Street Fund	10,000	10,000	0
Armory Fund	831,520	797,076	34,444
	<u>841,520</u>	<u>807,076</u>	<u>34,444</u>
<i>Municipal Court:</i>			
Court Capital Improvement Fund	5,476,373	4,096,256	1,380,117
<i>Riverfront Trail Phase II:</i>			
Street Fund	1,283,902	1,243,480	40,422
Community Development Fund	155,402	148,042	7,360
	<u>1,439,304</u>	<u>1,391,522</u>	<u>47,782</u>
<i>2011 Resurfacing:</i>			
Street Fund	408,459	394,315	14,144
<i>Washington Street Intersection Study:</i>			
Street Fund	28,600	27,000	1,600
<i>SR7/Acme/Jefferson Streets Intersection:</i>			
Street Fund	198,114	184,404	13,710
<i>Pike/7th/Green Streets Intersection:</i>			
Street Fund	380,802	372,695	8,107
<i>Parking Partners Lot:</i>			
Capital Improvement Fund	26,706	20,870	5,836
<i>Harmar Boaters Access Pier:</i>			
General Fund	13,458	12,523	935
Capital Improvement Fund	151,231	0	151,231
	<u>164,689</u>	<u>12,523</u>	<u>152,166</u>
<i>ADA Curb Ramps:</i>			
Street Fund	221	221	0
Community Development Fund	57,010	56,674	336
CDBG Recovery Fund	31,609	30,860	749
	<u>88,840</u>	<u>87,755</u>	<u>1,085</u>
<i>Waste Water Treatment Plant Upgrade:</i>			
Sewer Fund	6,492,278	1,484,554	5,007,724
Total All Projects	<u>\$15,758,768</u>	<u>\$9,085,657</u>	<u>\$6,673,111</u>

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2011, were as follows:

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Principal Outstanding 12/31/10	Additions	Deletions	Principal Outstanding 12/31/11	Amounts Due in One Year
Governmental Activities:					
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	\$ 120,500	\$ -	\$ 9,000	\$ 111,500	\$ 10,000
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	66,419	-	18,507	47,912	9,393
2010 Capital Facilities Bond					
Anticipation Note @ 1.875%	494,000	-	494,000	-	-
2011 Capital Facilities Bond					
Anticipation Note @ 2.0%	-	3,438,500	-	3,438,500	-
Energy Conservation Loan @ 2.7%	410,200	-	54,000	356,200	55,500
Intergovernmental Payable	87,947	-	-	87,947	17,590
Compensated Absences - Sick Leave	724,767	78,436	87,712	715,491	12,600
Total Governmental Activities	<u>\$ 1,903,833</u>	<u>\$ 3,516,936</u>	<u>\$ 663,219</u>	<u>\$ 4,757,550</u>	<u>\$ 105,083</u>
Business-Type Activities:					
<u>Bonds:</u>					
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	\$ 3,670,000	\$ -	\$ 275,000	\$ 3,395,000	\$ 285,000
Bond Discount	(5,545)	-	(528)	(5,017)	-
Deferred Amount on Refunding	(168,005)	-	(16,001)	(152,004)	-
Total Water Refunding Bonds	<u>3,496,450</u>	<u>-</u>	<u>258,471</u>	<u>3,237,979</u>	<u>285,000</u>
<u>Bond Anticipation Notes:</u>					
Water 2010 @ 1.875%	355,000	-	355,000	-	-
Water 2011 @ 2.0%	-	335,000	-	335,000	-
Water 2010 @ 1.875%	762,000	-	762,000	-	-
Water 2011 @ 2.0%	-	1,278,000	-	1,278,000	-
Sewer 2010 @ 1.875%	111,000	-	111,000	-	-
Sewer 2011 @ 2.0%	-	562,000	-	562,000	-
Total Bond Anticipation Notes	<u>1,228,000</u>	<u>2,175,000</u>	<u>1,228,000</u>	<u>2,175,000</u>	<u>-</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2007 - \$1,080,000 @ 3.2%	280,687	266,756	547,443	-	-
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	326,139	-	20,707	305,432	10,657
Sewer OWDA Loan					
2011 - \$5,558,292 @ 3.0%	-	516,102	-	516,102	-
Water OPWC Loan					
1996 - \$400,000 @ 0%	140,000	-	20,000	120,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$479,936 @ 2%	366,380	-	22,015	344,365	11,173
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	276,046	-	22,673	253,373	11,507
Total Loans	<u>1,389,252</u>	<u>782,858</u>	<u>632,838</u>	<u>1,539,272</u>	<u>43,337</u>
Compensated Absences - Sick Leave	201,806	34,664	30,520	205,950	19,025
Total Business-Type Activities	<u>\$ 6,315,508</u>	<u>\$ 2,992,522</u>	<u>\$ 2,149,829</u>	<u>\$ 7,158,201</u>	<u>\$ 347,362</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 Street and Fire Levy Special Revenue Funds; and the Water and Sewer Enterprise Funds.

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

The Capital Facilities Bond Anticipation Note was issued to finance the Municipal Court renovations and the State Route 7 Access Road and widening project. The notes were refinanced in May, 2012 (See Note 22). The notes will be repaid with court costs and the TIF revenues as described in Note 9.

Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund, which are all general obligations, were obtained to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loan in the Sewer Enterprise Fund, also a general obligation, was obtained to help finance the sludge belt press project. The 2007 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer treatment plant upgrade. This loan was rolled into the 2011 loan. Since the final draw on the new loan has not been received, an amortization schedule has not been established. The 2002 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer grit removal project.

The City has pledged future sewer customer revenues to repay the two OWDA loans. The loans are payable solely from net revenues and are payable through 2033. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 4 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$900,231. Principal and interest payments for the current year were \$593,220, net revenues were \$928,089, and total revenues were \$3,352,612.

The Bond Anticipation Notes were issued to finance the Cisler Drive Water Line project and various other projects of the water and wastewater departments. The notes were refinanced in May, 2012 (See Note 22).

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

The refunding resulted in an advance refunding of the 1996 water revenue bonds. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$288,008. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is amortized to interest expense through the year 2021 using the straight-line method. The amount amortized for 2011 is \$16,001.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The City has pledged future water customer revenues to repay the water system revenue refunding bonds. The bonds are payable solely from net revenues and are payable through 2021. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds are expected to require less than 79 percent of net revenues in future years. The total principal and interest remaining to be paid on the bonds is \$4,208,115. Principal and interest payments for the current year were \$420,050, net revenues were \$693,962, and total revenues were \$2,946,640.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2011, are as follows:

Year	Parking Lot Bonds	
	Principal	Interest
2012	\$ 10,000	\$ 6,388
2013	10,000	5,816
2014	11,000	5,242
2015	11,500	4,612
2016	12,500	3,954
2017-2020	56,500	8,338
	\$ 111,500	\$ 34,350

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2011, are as follows:

Year	Principal	Interest
2012	\$ 9,393	\$ 479
2013	19,068	675
2014	19,451	293
	\$ 47,912	\$ 1,447

Principal and interest requirements to retire the Energy Conservation Loan liability at December 31, 2011, are as follows:

Year	Principal	Interest
2012	\$ 55,500	\$ 9,618
2013	57,000	8,119
2014	58,500	6,580
2015	60,100	5,000
2016	61,700	3,378
2017	63,400	1,712
	\$ 356,200	\$ 34,407

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Principal and interest requirements to retire the water refunding bonds outstanding at December 31, 2011, are as follows:

Year	Water Refunding Bonds	
	Principal	Interest
2012	\$ 285,000	\$ 135,700
2013	295,000	125,582
2014	305,000	114,815
2015	320,000	103,378
2016	330,000	91,058
2017-2021	1,860,000	242,584
	\$ 3,395,000	\$ 813,117

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2011, are as follows:

Year	OPWC Loans					OWDA Loan	
	Sewer		Water			Sewer	
	Principal	Interest	Treatment	Water Glendale Tank		Principal	Interest
2012	\$ 11,507	\$ 2,534	\$ 10,000	\$ 11,173	\$ 3,444	\$ 10,657	\$ 5,941
2013	23,360	4,721	20,000	22,683	6,551	21,939	11,255
2014	23,830	4,252	20,000	23,139	6,095	22,801	10,394
2015	24,309	3,773	20,000	23,603	5,630	23,696	9,498
2016	24,798	3,284	20,000	24,078	5,156	24,627	8,567
2017-2021	131,667	8,741	20,000	127,848	18,321	138,429	27,545
2022-2025	13,902	139	10,000	111,841	5,090	63,283	3,107
	\$ 253,373	\$ 27,444	\$ 120,000	\$ 344,365	\$ 50,287	\$ 305,432	\$ 76,307

As of December 31, 2011, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$21,741,071.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 18 - NOTES PAYABLE

Changes in short-term obligations, all bond anticipation notes, of the City for the year ended December 31, 2011, were as follows:

	Principal Outstanding 12/31/10	Additions	Deletions	Principal Outstanding 12/31/11
Governmental Activities:				
2010 Capital Facilities Note @ 1.875%	\$ 238,000	\$ -	\$ 238,000	\$ -
2011 Capital Facilities Note @ 2%	-	238,000	-	238,000
2011 Capital Facilities Note @ 2%	-	167,500	-	167,500
Business-Type Activities:				
Water 2010 Note @ 1.875%	20,000	-	20,000	-
Water 2011 Note @ 2%	-	20,000	-	20,000
Water 2010 Note @ 1.875%	30,000	-	30,000	-
Water 2011 Note @ 2%	-	30,000	-	30,000
Sewer 2010 Note @ 1.875%	48,000	-	48,000	-
Sewer 2011 Note @ 2%	-	8,000	-	8,000
Sewer 2011 Note @ 2%	-	24,000	-	24,000
Total Notes Payable	<u>\$ 336,000</u>	<u>\$ 487,500</u>	<u>\$ 336,000</u>	<u>\$ 487,500</u>

The Capital Facilities Bond Anticipation Notes were issued to finance the renovations of the Municipal Court and for the State Route 7 Access Road and widening project. The Business-type Activities Bond Anticipation Notes were issued to finance various water and sewer projects. The notes will mature on May 17, 2012.

NOTE 19 - INTERFUND TRANSFERS AND BALANCES

A. Transfers

During 2011, the General Fund transferred \$147,460 to the Cemetery Special Revenue Fund to move unrestricted revenues collected in the General Fund to finance the programs accounted for in the Cemetery Fund in accordance with budgetary authorizations.

B. Balances

Interfund balances, as of December 31, 2011, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Marietta Harbor Fund for \$6,890.

NOTE 20 - 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 \$1,409 to the District during 2011. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

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

The Community Action Program Corporation of Washington-Morgan Counties, Ohio is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher Program, and various other State and federal programs. The Corporation is the direct recipient of the federal and State monies, except for monies passed thru to it from the City for the Housing and Urban Development Section 8 Existing Housing Voucher and Comprehensive Housing Improvement Programs. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2011, the Corporation received no administrative fees from the City. The continued existence of the Corporation is not dependent on the City's continued participation and no equity interest exists.

C. The Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is comprised of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and the Mayor of the City of Marietta serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. During 2011, 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 21 - 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 are 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, 2011.

B. Litigation

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

NOTE 22 - SUBSEQUENT EVENT

The City retired the \$3,844,000 capital facilities bond anticipation note bearing an interest rate of 2% on May 17, 2012, and issued a new note for \$3,838,500.

The City also retired the \$1,663,000 water bond anticipation note bearing an interest rate of 2% on May 17, 2012, and issued a new note for \$1,744,000. Additionally on that date, \$594,000 in sewer bond anticipation notes was retired and \$1,046,000 in new notes was issued.

On March 29, 2012, the City was approved for another OWDA Loan for phase 3 of the waste water treatment plant improvements for \$690,000.

**CITY OF MARIETTA
WASHINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct from Federal Government:</i>			
Community Development Block Grants - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-39-0018	\$ 327,981
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-39-0018	22,799
ARRA - Community Development Block Grant/Entitlement Grants	14.253	B-09-MY-39-0018	29,593
Total Community Development Block Grants - Entitlement Grants Cluster			<u>380,373</u>
Section 8 Housing Choice Vouchers	14.871	N/A	2,052,822
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grants/State's Programs	14.228	A-Z-08-2HT-1	61,000
Total United States Department of Housing and Urban Development			<u>2,494,195</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed through the Ohio Department of Public Safety</i>			
Disaster Assistance	97.036	DR-4002-OH	2,591
Total Federal Emergency Management Agency			<u>2,591</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	16.575	2011VAGENE329	20,458
Crime Victim Assistance	16.575	2012VAGENE329	6,570
Total Crime Victim Assistance			<u>27,028</u>
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	16.588	2010-WF-VAZ-8424	27,916
Violence Against Women Formula Grants	16.588	2010-WF-VAZ-8424A	37,871
Total Violence Against Women Formula Grants			<u>65,787</u>
Total United States Department of Justice			<u>92,815</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.205	PID#83389	142,445
Highway Planning and Construction	20.205	PID#85965	74,992
Highway Planning and Construction	20.205	PID#86863	245,326
Highway Planning and Construction	20.205	PID#87789	21,600
Total Highway Planning and Construction			<u>484,363</u>
<i>Passed through Washington County:</i>			
ARRA - Federal Transit - Formula Grants	20.507	OH-96-X028-00	63,615
Total United States Department of Transportation			<u>547,978</u>
Total Federal Financial Assistance			<u>\$ 3,137,579</u>

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

**CITY OF MARIETTA
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note A – Basis of Presentation

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

Note B – Matching Requirements

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The Schedule does not include the expenditure of non-federal matching funds.

Note C – Community Development Block Grant (CDBG) Revolving Loan Program

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

Note D – Subrecipients

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

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

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

September 21, 2012

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

To the Honorable Mayor and Members of 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 21, 2012.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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

September 21, 2012

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

To the Honorable Mayor and Members of 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 could directly and materially affect the City's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of audit findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 of Marietta, Washington County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

CITY OF MARIETTA

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2012