

**CITY OF MARIETTA
WASHINGTON COUNTY
Single Audit
For the Year Ended December 31, 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Members of 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, 2010 through December 31, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 10, 2012

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**CITY OF MARIETTA
WASHINGTON COUNTY**

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WASHINGTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

September 19, 2011

City of Marietta
Washington County
10075 Ravenna Road
Marietta, Ohio 44087

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, 2010, 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, 2010, 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 19, 2011, 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 requires 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, 2010
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, 2010. 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 2010 are as follows:

- In total, net assets increased \$10,981. Net assets of governmental activities increased \$65,807, while the business-type activities decreased \$54,826.
- General governmental revenues accounted for \$10,204,221 in revenue or 49% of all revenues in governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$10,445,331 or 51% of total revenues of \$20,649,552.

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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

Reporting the City of Marietta's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 16. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Marietta, our major funds are the General, Street, Community Development, Capital Improvement, 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 2010 compared to 2009.

City of Marietta, Ohio
Management's Discussion and Analysis
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(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$10,082,847	\$10,780,833	\$5,485,004	\$4,948,309	\$15,567,851	\$15,729,142
Capital Assets, Net	22,001,068	21,531,223	11,971,927	11,996,644	33,972,995	33,527,867
<i>Total Assets</i>	<u>32,083,915</u>	<u>32,312,056</u>	<u>17,456,931</u>	<u>16,944,953</u>	<u>49,540,846</u>	<u>49,257,009</u>
Liabilities						
Current and Other Liabilities	2,544,249	2,557,199	863,233	796,648	3,407,482	3,353,847
Long-term Liabilities						
Due Within One Year	140,561	128,958	455,939	416,151	596,500	545,109
Due in More Than One Year	1,763,272	2,055,873	5,859,569	5,399,138	7,622,841	7,455,011
<i>Total Liabilities</i>	<u>4,448,082</u>	<u>4,742,030</u>	<u>7,178,741</u>	<u>6,611,937</u>	<u>11,626,823</u>	<u>11,353,967</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	20,584,002	20,244,548	7,030,760	6,483,462	27,614,762	26,728,010
Restricted:						
Street	1,093,220	1,189,724	0	0	1,093,220	1,189,724
Cemetery	11,724	15,438	0	0	11,724	15,438
Community Development	625,535	527,492	0	0	625,535	527,492
Parking	0	72,910	0	0	0	72,910
Fire Operations	120,008	124,594	0	0	120,008	124,594
Police Operations	52,622	96,553	0	0	52,622	96,553
Court Operations	234,168	200,191	0	0	234,168	200,191
Recreation	520,272	639,624	0	0	520,272	639,624
Health	154,868	156,989	0	0	154,868	156,989
Debt Service	0	0	22,917	22,500	22,917	22,500
Capital Projects	2,376,654	2,399,693	0	0	2,376,654	2,399,693
Severance Payments	0	180,000	0	0	0	180,000
Perpetual Care:						
Expendable	5,359	2,655	0	0	5,359	2,655
Non-expendable	440,003	434,947	0	0	440,003	434,947
Park Non-expendable Trust	750	1,000	0	0	750	1,000
Unclaimed Monies	22,604	23,389	0	0	22,604	23,389
Other Purposes	29,599	34,596	0	0	29,599	34,596
Unrestricted	1,364,445	1,225,683	3,224,513	3,827,054	4,588,958	5,052,737
<i>Total Net Assets</i>	<u>\$27,635,833</u>	<u>\$27,570,026</u>	<u>\$10,278,190</u>	<u>\$10,333,016</u>	<u>\$37,914,023</u>	<u>\$37,903,042</u>

City of Marietta, Ohio
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Total assets increased \$283,837. Governmental activities decreased \$228,141 while the business-type activities increased \$511,978. Total liabilities increased \$272,856. Governmental activities decreased \$293,948 while the business-type activities increased \$566,804.

For governmental activities, equity in pooled cash and cash equivalents decreased \$1,130,221 due to deficit spending. Capital assets increased \$469,845. Long-term liabilities decreased \$280,998.

For business-type activities, equity in pooled cash and cash equivalents increased \$433,263, while capital assets decreased \$24,717. Long-term liabilities increased \$500,219.

City of Marietta, Ohio
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Table 2 shows the changes in net assets for the year ended December 31, 2010, and comparisons to 2009.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	\$3,291,302	\$2,584,026	\$5,838,811	\$5,482,772	\$9,130,113	\$8,066,798
Operating Grants, Contributions and Interest	4,805,101	3,744,760	0	0	4,805,101	3,744,760
Capital Grants and Contributions	2,348,928	1,972,563	0	0	2,348,928	1,972,563
Total Program Revenues	10,445,331	8,301,349	5,838,811	5,482,772	16,284,142	13,784,121
General Revenues						
Property Taxes	549,977	507,344	0	0	549,977	507,344
Hotel Tax	272,768	252,321	0	0	272,768	252,321
Income Tax	7,745,327	7,793,060	0	0	7,745,327	7,793,060
Payments in Lieu of Taxes	277,349	290,271	0	0	277,349	290,271
Franchise Tax	208,378	201,107	0	0	208,378	201,107
Grants and Entitlements	926,321	1,179,422	0	0	926,321	1,179,422
Investment Earnings	96,770	160,394	11,025	6,885	107,795	167,279
Gain on Sale of Capital Assets	0	33,081	0	0	0	33,081
Other	127,331	231,338	55,438	23,905	182,769	255,243
Total General Revenues	10,204,221	10,648,338	66,463	30,790	10,270,684	10,679,128
Total Revenues	20,649,552	18,949,687	5,905,274	5,513,562	26,554,826	24,463,249
Program Expenses						
General Government:						
Legislative and Executive	4,623,158	4,042,103	0	0	4,623,158	4,042,103
Court	1,064,790	1,092,132	0	0	1,064,790	1,092,132
Security of Persons and Property:						
Police	3,173,067	3,209,309	0	0	3,173,067	3,209,309
Fire	3,540,639	3,519,008	0	0	3,540,639	3,519,008
Public Health Services	891,678	851,485	0	0	891,678	851,485
Community Environment	1,177,808	414,910	0	0	1,177,808	414,910
Intergovernmental	2,198,869	1,824,297	0	0	2,198,869	1,824,297
Street	3,251,976	3,107,341	0	0	3,251,976	3,107,341
Transportation	4,784	2,210	0	0	4,784	2,210
Leisure Time Activities	613,873	625,865	0	0	613,873	625,865
Interest and Fiscal Charges	43,103	56,273	0	0	43,103	56,273
Sewer	0	0	2,779,990	2,603,211	2,779,990	2,603,211
Water	0	0	3,180,110	3,048,545	3,180,110	3,048,545
Total Program Expenses	20,583,745	18,744,933	5,960,100	5,651,756	26,543,845	24,396,689
Increase (Decrease) in Net Assets	65,807	204,754	(54,826)	(138,194)	10,981	66,560
Net Assets Beginning of Year	27,570,026	27,365,272	10,333,016	10,471,210	37,903,042	37,836,482
Net Assets End of Year	\$27,635,833	\$27,570,026	\$10,278,190	\$10,333,016	\$37,914,023	\$37,903,042

City of Marietta, Ohio
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Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.7 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 38 and 39 percent, respectively, of all revenues in the governmental activities.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 35 percent of all revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage the better in regards to independence.

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

Security of persons and property is another major activity of the City, generating 33% of the governmental expenses. During 2010, expenses for police and fire operations amounted to \$3,173,067 and \$3,540,639, 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 16% of the governmental expenses. Street paving, patching, depreciation, and street lighting expenses during 2010 amounted to \$3,251,976.

Business-Type Activities

The City's business-type activities consist of the sewer and water departments. During 2010, the City collected \$356,039 more in charges for services over the previous year but spent \$308,344 more. Nonetheless, the City continues to experience decreases in their net assets.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,435,586 and expenditures of \$21,321,239.

The fund balance of the General Fund decreased \$175,240. The General Fund's Unassigned Fund Balance of \$1,891,643 represented 19% 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 \$234,328. The Street Fund's Restricted Fund Balance of \$774,067 represented 20% of current year expenditures.

City of Marietta, Ohio
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The fund balance of the Community Development Fund increased \$38,419. The Community Development Fund had a restricted fund balance of \$243,666 at year end. This fund accounts for federal grant monies under the Community Development Block Grant program for projects to improve the community within the City.

The fund balance of the Capital Improvement Fund decreased \$10,164. The Fund has a restricted fund balance of \$1,473,595.

During 2010, the Sewer Fund had operating revenues of \$2,894,221 and operating expenses of \$2,731,550. The Water Fund had operating revenues of \$3,000,028 and operating expenses of \$2,969,522. The major expenses for these funds are salaries and wages and depreciation on capital assets.

General Fund Budgeting Highlights

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

During the course of 2010, the City amended its General Fund budget several times. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council.

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

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

Original budgeted revenues were increased \$21,484; various accounts were slightly increased or decreased. The original appropriations were increased \$13,372.

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 2010 balances compared to 2009.

(Table 3)
 Capital Assets at December 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$1,021,534	\$1,021,534	\$447,100	\$447,100	\$1,468,634	\$1,468,634
Buildings and Improvements	4,947,482	4,942,225	138,580	143,799	5,086,062	5,086,024
Machinery and Equipment	1,142,501	1,316,117	300,395	427,019	1,442,896	1,743,136
Vehicles	691,591	806,571	59,217	73,506	750,808	880,077
Infrastructure	9,047,904	7,415,719	9,927,283	9,939,497	18,975,187	17,355,216
Construction in Progress	5,150,056	6,029,057	1,099,352	965,723	6,249,408	6,994,780
Totals	\$22,001,068	\$21,531,223	\$11,971,927	\$11,996,644	\$33,972,995	\$33,527,867

The City's capital assets for governmental and business-type activities as of December 31, 2010, were \$33,972,995 (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 2010 included \$4,023,602 for infrastructure improvements, \$2,096,913 for ongoing capital projects, \$245,900 for building improvements, \$49,657 on machinery and equipment, and \$33,900 for a bucket truck.

For business-type activities, major capital asset additions during 2010 included \$816,409 for infrastructure improvements and on-going sewer and water projects and \$283,711 for ongoing capital projects.

Note 11 (Capital Assets) provides capital asset activity during 2010.

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

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

(Table 4)
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
2000 Parking Lot Bonds	\$120,500	\$129,500	\$0	\$0
1999 Third Street Paving OPWC Loan	66,419	84,561	0	0
Capital Facilities Bond				
Anticipation Note:				
Short-term	238,000	238,000	20,000	20,000
Long-term	494,000	732,000	355,000	375,000
Water Bond Anticipation Note:				
Short-term	0	0	30,000	0
Long-term	0	0	762,000	0
Sewer Bond Anticipation Note:				
Short-term	0	0	48,000	0
Long-term	0	0	111,000	0
Energy Conservation Loan	410,200	462,800	0	0
2003 Water Refunding Bonds	0	0	3,496,450	3,749,922
2007 Sewer OWDA Loan	0	0	280,687	289,358
2002 Sewer OWDA Loan	0	0	326,139	346,063
1996 Water OPWC Loan	0	0	140,000	160,000
2004 Water OPWC Loan	0	0	366,380	387,962
2000 Sewer OPWC Loan	0	0	276,046	298,272
Totals	<u>\$1,329,119</u>	<u>\$1,646,861</u>	<u>\$6,211,702</u>	<u>\$5,626,577</u>

The total amount of general obligation indebtedness outstanding at any one time shall not exceed 10.5% of the actual value of taxable real and personal property in the City. The City's overall debt limit at December 31, 2010, is \$24,588,257.

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

Current Financial Issues

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

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

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

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 Ralph Mohr, Marietta City Auditor, 308 Putnam Street, Marietta, Ohio 45750, 740-373-0473.

City of Marietta, Ohio
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,698,097	\$3,765,920	\$9,464,017
Cash and Cash Equivalents in Segregated Accounts	50,821	292,256	343,077
Cash and Cash Equivalents with Fiscal Agents	0	35,415	35,415
Investments	315,434	100,000	415,434
Hotel Taxes Receivable	14,424	0	14,424
Permissive Motor Vehicle License Receivable	2,611	0	2,611
Accounts Receivable	116,088	1,034,671	1,150,759
Payments in Lieu of Taxes Receivable	208,715	0	208,715
Accrued Interest Receivable	4,625	0	4,625
Intergovernmental Receivable	1,934,295	3,664	1,937,959
Internal Balances	(1,313)	1,313	0
Municipal Income Tax Receivable	1,033,997	0	1,033,997
Loans Receivable	49,849	0	49,849
Materials and Supplies Inventory	66,453	72,595	139,048
Prepaid Items	79,275	75,635	154,910
Property Taxes Receivable	509,476	0	509,476
Deferred Charges	0	103,535	103,535
Non-Depreciable Capital Assets	6,171,590	1,546,452	7,718,042
Depreciable Capital Assets, Net	15,829,478	10,425,475	26,254,953
<i>Total Assets</i>	<u>32,083,915</u>	<u>17,456,931</u>	<u>49,540,846</u>
Liabilities			
Accounts Payable	162,853	76,364	239,217
Contracts Payable	101,444	121,207	222,651
Accrued Wages Payable	195,502	57,095	252,597
Retainage Payable	5,902	0	5,902
Accrued Interest Payable	9,861	36,024	45,885
Intergovernmental Payable	574,449	97,495	671,944
Vacation and Compensatory Benefits Payable	781,625	179,857	961,482
Deferred Revenue	474,613	0	474,613
Customer Deposits Payable	0	197,191	197,191
Notes Payable	238,000	98,000	336,000
Long-Term Liabilities:			
Due Within One Year	140,561	455,939	596,500
Due In More Than One Year	1,763,272	5,859,569	7,622,841
<i>Total Liabilities</i>	<u>4,448,082</u>	<u>7,178,741</u>	<u>11,626,823</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,584,002	7,030,760	27,614,762
Restricted for:			
Street	1,093,220	0	1,093,220
Cemetery	11,724	0	11,724
Community Development	625,535	0	625,535
Fire Operations	120,008	0	120,008
Police Operations	52,622	0	52,622
Court Operations	234,168	0	234,168
Recreation	520,272	0	520,272
Health	154,868	0	154,868
Debt Service	0	22,917	22,917
Capital Projects	2,376,654	0	2,376,654
Perpetual Care:			
Expendable	5,359	0	5,359
Non-expendable	440,003	0	440,003
Park - Non-expendable	750	0	750
Unclaimed Monies	22,604	0	22,604
Other Purposes	29,599	0	29,599
Unrestricted	1,364,445	3,224,513	4,588,958
<i>Total Net Assets</i>	<u>\$27,635,833</u>	<u>\$10,278,190</u>	<u>\$37,914,023</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$4,623,158	\$1,153,389	\$107,215	\$0
Court	1,064,790	815,646	159,191	0
Security of Persons and Property:				
Police	3,173,067	42,381	48,627	0
Fire	3,540,639	546,886	1,060	0
Public Health Services	891,678	270,563	87,852	0
Community Environment	1,177,808	0	1,439,933	0
Intergovernmental	2,198,869	0	2,198,869	0
Street	3,251,976	53,410	761,854	2,041,202
Transportation	4,784	14,255	0	0
Leisure Time Activities	613,873	394,772	500	307,726
Interest and Fiscal Charges	43,103	0	0	0
<i>Total Governmental Activities</i>	20,583,745	3,291,302	4,805,101	2,348,928
Business-Type Activities				
Sewer	2,779,990	2,847,708	0	0
Water	3,180,110	2,991,103	0	0
<i>Total Business-Type Activities</i>	5,960,100	5,838,811	0	0
<i>Total</i>	\$26,543,845	\$9,130,113	\$4,805,101	\$2,348,928

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Income Taxes Levied for:

General Purposes

Street

Fire Operations

Capital Outlay

Payments in Lieu of Taxes

Hotel Tax

Franchise Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Other

Total General Revenues

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,362,554)	\$0	(\$3,362,554)
(89,953)	0	(89,953)
(3,082,059)	0	(3,082,059)
(2,992,693)	0	(2,992,693)
(533,263)	0	(533,263)
262,125	0	262,125
0	0	0
(395,510)	0	(395,510)
9,471	0	9,471
89,125	0	89,125
(43,103)	0	(43,103)
(10,138,414)	0	(10,138,414)
0	67,718	67,718
0	(189,007)	(189,007)
0	(121,289)	(121,289)
(10,138,414)	(121,289)	(10,259,703)
533,557	0	533,557
16,420	0	16,420
5,557,916	0	5,557,916
874,964	0	874,964
874,965	0	874,965
437,482	0	437,482
277,349	0	277,349
272,768	0	272,768
208,378	0	208,378
926,321	0	926,321
96,770	11,025	107,795
127,331	55,438	182,769
10,204,221	66,463	10,270,684
65,807	(54,826)	10,981
27,570,026	10,333,016	37,903,042
<u>\$27,635,833</u>	<u>\$10,278,190</u>	<u>\$37,914,023</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio

Balance Sheet

Governmental Funds

December 31, 2010

	<u>General</u>	<u>Street</u>	<u>Community Development</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,820,174	\$494,454	\$55,834	\$1,457,990	\$1,847,041	\$5,675,493
Cash and Cash Equivalents in Segregated Accounts	33,516	0	0	0	17,305	50,821
Restricted Cash	22,604	0	0	0	0	22,604
Investments	0	0	0	0	315,434	315,434
Receivables:						
Hotel Taxes	14,424	0	0	0	0	14,424
Permissive Motor Vehicle License Accounts	0	2,611	0	0	0	2,611
Payments in Lieu of Taxes	77,734	0	0	0	38,354	116,088
Accrued Interest	0	0	0	0	208,715	208,715
Interfund	2,222	69	0	0	2,334	4,625
Municipal Income Tax	11,518	0	0	0	0	11,518
Loans	746,922	114,830	0	57,415	114,830	1,033,997
Property Taxes	0	0	0	0	49,849	49,849
Intergovernmental	493,572	0	0	0	15,904	509,476
Materials and Supplies Inventory	523,708	662,321	552,970	1,170	194,126	1,934,295
Prepaid Items	24,989	41,464	0	0	0	66,453
	64,535	6,699	515	0	7,526	79,275
Total Assets	<u>\$3,835,918</u>	<u>\$1,322,448</u>	<u>\$609,319</u>	<u>\$1,516,575</u>	<u>\$2,811,418</u>	<u>\$10,095,678</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$128,322	\$6,533	\$20,185	\$0	\$7,813	\$162,853
Contracts Payable	0	53,327	0	34,163	13,954	101,444
Accrued Wages Payable	152,970	14,821	938	0	26,773	195,502
Retainage Payable	0	0	0	0	5,902	5,902
Accrued Interest Payable	0	0	0	0	2,727	2,727
Intergovernmental Payable	441,464	32,857	15,652	0	84,476	574,449
Deferred Revenue	895,132	392,680	328,363	8,817	320,691	1,945,683
Interfund Payable	0	0	0	0	12,831	12,831
Notes Payable	0	0	0	0	238,000	238,000
Total Liabilities	<u>1,617,888</u>	<u>500,218</u>	<u>365,138</u>	<u>42,980</u>	<u>713,167</u>	<u>3,239,391</u>
Fund Balances						
Nonspendable	89,524	48,163	515	0	494,180	632,382
Restricted	22,604	774,067	243,666	1,473,595	1,548,037	4,061,969
Committed	180,000	0	0	0	62,186	242,186
Assigned	34,259	0	0	0	0	34,259
Unassigned	1,891,643	0	0	0	(6,152)	1,885,491
Total Fund Balances	<u>2,218,030</u>	<u>822,230</u>	<u>244,181</u>	<u>1,473,595</u>	<u>2,098,251</u>	<u>6,856,287</u>
Total Liabilities and Fund Balances	<u>\$3,835,918</u>	<u>\$1,322,448</u>	<u>\$609,319</u>	<u>\$1,516,575</u>	<u>\$2,811,418</u>	<u>\$10,095,678</u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010*

Total Governmental Fund Balances \$6,856,287

*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. 22,001,068

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

Investment Earnings	1,784	
Property Taxes	34,863	
Charges for Services	28,562	
Estate Taxes	44,975	
Municipal Income Tax	160,743	
Payments in Lieu of Taxes	208,715	
Intergovernmental Revenues	991,428	
Total	1,471,070	1,471,070

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

Bonds Payable	(120,500)	
Accrued Interest Payable	(7,134)	
Loans Payable	(476,619)	
Notes Payable	(494,000)	
Intergovernmental Payable	(87,947)	
Compensated Absences Payable - Sick Leave	(724,767)	
Vacation and Compensatory Benefits Payable	(781,625)	
Total	(2,692,592)	(2,692,592)

Net Assets of Governmental Activities \$27,635,833

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, 2010

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$524,430	\$0	\$0	\$0	\$0	\$524,430
Hotel Tax	272,768	0	0	0	16,420	289,188
Permissive Motor Vehicle License	0	33,013	0	0	0	33,013
Municipal Income Tax	5,543,127	872,511	0	436,256	872,512	7,724,406
Payments in Lieu of Taxes	68,634	0	0	0	216,496	285,130
Charges for Services	1,482,397	20,397	0	0	833,041	2,335,835
Fines, Licenses and Permits	567,107	0	0	0	364,268	931,375
Franchise Tax	208,378	0	0	0	0	208,378
Intergovernmental	1,022,522	2,651,104	2,637,673	20,597	1,515,344	7,847,240
Investment Earnings	92,267	6,039	0	0	23,105	121,411
Donations	0	0	0	0	3,228	3,228
Rent	5,741	0	0	0	0	5,741
Other	33,919	32,242	13,040	7,664	39,346	126,211
<i>Total Revenues</i>	<u>9,821,290</u>	<u>3,615,306</u>	<u>2,650,713</u>	<u>464,517</u>	<u>3,883,760</u>	<u>20,435,586</u>
Expenditures						
Current:						
General Government:						
Legislative and Executive	3,502,547	0	0	0	66,398	3,568,945
Court	756,615	0	0	0	224,671	981,286
Security of Persons and Property:						
Police	3,110,688	0	0	0	17,160	3,127,848
Fire	2,174,563	0	0	0	1,225,944	3,400,507
Public Health Services	412,381	0	0	0	452,843	865,224
Community Environment	0	0	334,222	0	918,480	1,252,702
Street	0	3,909,094	0	0	0	3,909,094
Transportation	3,566	0	0	0	0	3,566
Leisure Time Activities	0	0	0	0	822,306	822,306
Capital Outlay	0	0	0	474,681	349,679	824,360
Intergovernmental	0	0	2,198,869	0	0	2,198,869
Debt Service:						
Principal Retirement	52,600	18,142	0	0	9,000	79,742
Current Refunding	0	0	0	0	238,000	238,000
Interest and Fiscal Charges	12,480	1,601	0	0	34,709	48,790
<i>Total Expenditures</i>	<u>10,025,440</u>	<u>3,928,837</u>	<u>2,533,091</u>	<u>474,681</u>	<u>4,359,190</u>	<u>21,321,239</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(204,150)</u>	<u>(313,531)</u>	<u>117,622</u>	<u>(10,164)</u>	<u>(475,430)</u>	<u>(885,653)</u>
Other Financing Sources (Uses)						
Notes Issued	0	0	0	0	494,000	494,000
Transfers In	172,065	79,203	0	0	143,155	394,423
Current Refunding	0	0	0	0	(494,000)	(494,000)
Transfers Out	(143,155)	0	(79,203)	0	(172,065)	(394,423)
<i>Total Other Financing Sources (Uses)</i>	<u>28,910</u>	<u>79,203</u>	<u>(79,203)</u>	<u>0</u>	<u>(28,910)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(175,240)</u>	<u>(234,328)</u>	<u>38,419</u>	<u>(10,164)</u>	<u>(504,340)</u>	<u>(885,653)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 4)</i>	<u>2,393,270</u>	<u>1,056,558</u>	<u>205,762</u>	<u>1,483,759</u>	<u>2,602,591</u>	<u>7,741,940</u>
<i>Fund Balances End of Year</i>	<u>\$2,218,030</u>	<u>\$822,230</u>	<u>\$244,181</u>	<u>\$1,473,595</u>	<u>\$2,098,251</u>	<u>\$6,856,287</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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$885,653)

*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	3,474,058	
Depreciation	<u>(3,004,213)</u>	
Excess of Depreciation Expense Over Capital Outlay		469,845

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

Investment Earnings	396	
Property Taxes	9,127	
Municipal Income Tax	20,921	
Payments in Lieu of Taxes	(7,781)	
Intergovernmental Revenues	224,565	
Estate Taxes	(19,720)	
Miscellaneous Revenues	1,120	
Charges for Services	<u>(14,662)</u>	
Total		213,966

In the statement of activities, interest is accrued on outstanding
loans, whereas in governmental funds, an interest expenditure
is reported when due. 5,687

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

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

Bonds	9,000	
Loans	<u>70,742</u>	
Total		79,742

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	(19,036)	
Intergovernmental Payable	(87,947)	
Compensated Absences Payable - Sick Leave	<u>51,203</u>	
Total		<u>(55,780)</u>

Change in Net Assets of Governmental Activities \$65,807

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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$584,928	\$584,928	\$524,430	(\$60,498)
Hotel Tax	250,000	250,000	273,576	23,576
Municipal Income Tax	5,882,636	5,882,636	5,506,801	(375,835)
Payments in Lieu of Taxes	71,000	71,000	68,634	(2,366)
Charges for Services	1,029,364	1,020,865	1,477,776	456,911
Fines, Licenses and Permits	528,384	528,138	574,362	46,224
Franchise Tax	185,000	185,000	204,263	19,263
Intergovernmental	780,573	802,927	1,070,652	267,725
Investment Earnings	140,000	140,000	93,375	(46,625)
Rent	8,000	8,000	5,741	(2,259)
Other	17,294	25,169	37,320	12,151
<i>Total Revenues</i>	9,477,179	9,498,663	9,836,930	338,267
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,776,040	3,906,231	3,515,061	391,170
Court	864,141	853,019	753,272	99,747
Security of Persons and Property:				
Police	3,278,416	3,244,497	3,098,584	145,913
Fire	2,233,488	2,233,488	2,149,528	83,960
Public Health Services	455,214	455,214	398,741	56,473
Transportation	75,644	3,866	3,866	0
Debt Service:				
Principal	52,600	52,600	52,600	0
Interest and Fiscal Charges	12,496	12,496	12,480	16
<i>Total Expenditures</i>	10,748,039	10,761,411	9,984,132	777,279
<i>Excess of Revenues Under Expenditures</i>	(1,270,860)	(1,262,748)	(147,202)	1,115,546
Other Financing Sources (Uses)				
Transfers In	0	0	172,065	172,065
Transfers Out	(143,155)	(143,155)	(143,155)	0
<i>Total Other Financing Sources (Uses)</i>	(143,155)	(143,155)	28,910	172,065
<i>Net Change in Fund Balance</i>	(1,414,015)	(1,405,903)	(118,292)	1,287,611
<i>Fund Balance Beginning of Year</i>	1,828,101	1,828,101	1,828,101	0
Prior Year Encumbrances Appropriated	72,054	72,054	72,054	0
<i>Fund Balance End of Year</i>	\$486,140	\$494,252	\$1,781,863	\$1,287,611

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Permissive Motor Vehicle License Tax	\$19,291	\$19,291	\$33,137	\$13,846
Municipal Income Tax	902,353	902,353	868,079	(34,274)
Charges for Services	0	20,397	20,397	0
Intergovernmental	776,437	2,548,716	2,494,671	(54,045)
Investment Earnings	19,137	19,137	6,936	(12,201)
Other	13,234	20,283	32,531	12,248
<i>Total Revenues</i>	<u>1,730,452</u>	<u>3,530,177</u>	<u>3,455,751</u>	<u>(74,426)</u>
Expenditures				
Current:				
Street	2,302,676	4,246,864	4,101,438	145,426
Debt Service:				
Principal Retirement	18,143	18,143	18,142	1
Interest and Fiscal Charges	1,601	1,601	1,601	0
<i>Total Expenditures</i>	<u>2,322,420</u>	<u>4,266,608</u>	<u>4,121,181</u>	<u>145,427</u>
<i>Excess of Revenues Under Expenditures</i>	(591,968)	(736,431)	(665,430)	71,001
Other Financing Source				
Transfers In	0	79,203	79,203	0
<i>Net Change in Fund Balance</i>	(591,968)	(657,228)	(586,227)	71,001
<i>Fund Balance Beginning of Year</i>	767,586	767,586	767,586	0
Prior Year Encumbrances Appropriated	93,352	93,352	93,352	0
<i>Fund Balance End of Year</i>	<u>\$268,970</u>	<u>\$203,710</u>	<u>\$274,711</u>	<u>\$71,001</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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Intergovernmental	\$1,773,179	\$2,838,996	\$2,588,068	(\$250,928)
Other	0	28,988	13,040	(15,948)
<i>Total Revenues</i>	1,773,179	2,867,984	2,601,108	(266,876)
Expenditures				
Current:				
Community Environment	528,054	413,011	302,822	110,189
Intergovernmental	1,500,000	2,198,869	2,198,869	0
<i>Total Expenditures</i>	2,028,054	2,611,880	2,501,691	110,189
<i>Excess of Revenues Over (Under) Expenditures</i>	(254,875)	256,104	99,417	(156,687)
Other Financing Use				
Transfers Out	0	(79,203)	(79,203)	0
<i>Net Change in Fund Balance</i>	(254,875)	176,901	20,214	(156,687)
<i>Fund Balance (Deficit) Beginning of Year</i>	(10,423)	(10,423)	(10,423)	0
Prior Year Encumbrances Appropriated	46,043	46,043	46,043	0
<i>Fund Balance (Deficit) End of Year</i>	(\$219,255)	\$212,521	\$55,834	(\$156,687)

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2010

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$2,629,955	\$1,135,965	\$3,765,920
Cash and Cash Equivalents in Segregated Accounts	92,642	102,423	195,065
Cash and Cash Equivalents with Fiscal Agents	0	410	410
Accounts Receivable	519,026	515,645	1,034,671
Intergovernmental Receivable	3,664	0	3,664
Interfund Receivable	0	1,313	1,313
Materials and Supplies Inventory	7,608	64,987	72,595
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agents	0	35,005	35,005
Customer Deposits:			
Equity in Pooled Cash and Cash Equivalents	47,114	49,037	96,151
Cash and Cash Equivalents in Segregated Accounts	510	530	1,040
Investments	49,000	51,000	100,000
Prepaid Items	35,324	40,311	75,635
<i>Total Current Assets</i>	<u>3,384,843</u>	<u>1,996,626</u>	<u>5,381,469</u>
Noncurrent:			
Deferred Charges	0	103,535	103,535
Non-Depreciable Capital Assets	1,160,332	386,120	1,546,452
Depreciable Capital Assets, Net	5,807,167	4,618,308	10,425,475
<i>Total Noncurrent Assets</i>	<u>6,967,499</u>	<u>5,107,963</u>	<u>12,075,462</u>
<i>Total Assets</i>	<u>10,352,342</u>	<u>7,104,589</u>	<u>17,456,931</u>
Liabilities			
Current:			
Accounts Payable	45,700	30,664	76,364
Contracts Payable	17,466	103,741	121,207
Accrued Wages Payable	26,195	30,900	57,095
Intergovernmental Payable	50,008	47,487	97,495
Vacation and Compensatory Benefits Payable	82,265	97,592	179,857
Accrued Interest Payable	10,154	25,870	36,024
Compensated Absences Payable	30,591	0	30,591
Notes Payable	48,000	50,000	98,000
Refunding Bonds Payable	0	275,000	275,000
Issue II Loans Payable	11,280	20,953	32,233
OWDA Loans Payable	118,115	0	118,115
Customer Deposits Payable from Restricted Assets	96,624	100,567	197,191
<i>Total Current Liabilities</i>	<u>536,398</u>	<u>782,774</u>	<u>1,319,172</u>
Long-Term:			
Compensated Absences Payable	18,359	152,856	171,215
Notes Payable	111,000	1,117,000	1,228,000
Refunding Bonds Payable	0	3,221,450	3,221,450
Issue II Loans Payable	264,766	485,427	750,193
OWDA Loans Payable	488,711	0	488,711
<i>Total Long-Term Liabilities</i>	<u>882,836</u>	<u>4,976,733</u>	<u>5,859,569</u>
<i>Total Liabilities</i>	<u>1,419,234</u>	<u>5,759,507</u>	<u>7,178,741</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,925,627	1,105,133	7,030,760
Restricted for Debt Service	0	22,917	22,917
Unrestricted	3,007,481	217,032	3,224,513
<i>Total Net Assets</i>	<u>\$8,933,108</u>	<u>\$1,345,082</u>	<u>\$10,278,190</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, 2010*

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$2,847,708	\$2,991,103	\$5,838,811
Other Operating Revenues	46,513	8,925	55,438
<i>Total Operating Revenues</i>	<u>2,894,221</u>	<u>3,000,028</u>	<u>5,894,249</u>
Operating Expenses			
Salaries and Wages	826,601	871,459	1,698,060
Fringe Benefits	464,807	470,680	935,487
Contractual Services	709,781	699,823	1,409,604
Materials and Supplies	225,548	416,598	642,146
Other Operating Expenses	26,684	14,336	41,020
Depreciation	478,129	496,626	974,755
<i>Total Operating Expenses</i>	<u>2,731,550</u>	<u>2,969,522</u>	<u>5,701,072</u>
<i>Operating Income</i>	<u>162,671</u>	<u>30,506</u>	<u>193,177</u>
Non-Operating Revenues (Expenses)			
Investment Earnings	978	10,047	11,025
Interest and Fiscal Charges	(48,440)	(210,588)	(259,028)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(47,462)</u>	<u>(200,541)</u>	<u>(248,003)</u>
<i>Change in Net Assets</i>	115,209	(170,035)	(54,826)
<i>Net Assets Beginning of Year</i>	<u>8,817,899</u>	<u>1,515,117</u>	<u>10,333,016</u>
<i>Net Assets End of Year</i>	<u><u>\$8,933,108</u></u>	<u><u>\$1,345,082</u></u>	<u><u>\$10,278,190</u></u>

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2010

	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,857,499	\$2,993,084	\$5,850,583
Cash Payments for Employee Services and Benefits	(1,273,271)	(1,323,740)	(2,597,011)
Cash Payments to Suppliers for Goods and Services	(942,557)	(1,128,002)	(2,070,559)
Other Operating Revenues	43,317	8,133	51,450
Other Operating Expenses	(21,498)	(14,366)	(35,864)
Customer Deposits Received	20,752	21,598	42,350
Customer Deposits Returned	(17,265)	(17,969)	(35,234)
	<u>666,977</u>	<u>538,738</u>	<u>1,205,715</u>
<i>Net Cash Provided by Operating Activities</i>			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(480,638)	(518,262)	(998,900)
Proceeds from Sale of Bond Anticipation Notes	159,000	1,167,000	1,326,000
Loan Proceeds	201,981	0	201,981
Principal Paid on Debt	(252,802)	(706,582)	(959,384)
Interest Paid on Debt	(46,618)	(177,583)	(224,201)
	<u>(419,077)</u>	<u>(235,427)</u>	<u>(654,504)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>			
Cash Flows from Investing Activities:			
Investment Earnings	978	9,196	10,174
	<u>978</u>	<u>9,196</u>	<u>10,174</u>
<i>Net Cash Provided by Investing Activities</i>			
	<u>248,878</u>	<u>312,507</u>	<u>561,385</u>
<i>Net Increase in Cash and Cash Equivalents</i>			
	<u>2,521,343</u>	<u>1,010,863</u>	<u>3,532,206</u>
<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>			
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
<i>Operating Income</i>	\$162,671	\$30,506	\$193,177
Adjustments:			
Depreciation	478,129	496,626	974,755
(Increase)/Decrease in Assets:			
Accounts Receivable	9,791	1,981	11,772
Intergovernmental Receivable	(3,196)	521	(2,675)
Interfund Receivable	0	(1,313)	(1,313)
Materials and Supplies Inventory	(3,227)	14,266	11,039
Prepaid Items	(1,716)	(1,426)	(3,142)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(3,255)	(23,707)	(26,962)
Accrued Wages Payable	3,522	6,922	10,444
Intergovernmental Payable	17,679	12,412	30,091
Vacation and Compensatory Benefits Payable	6,031	2,288	8,319
Customer Deposits Payable	3,487	3,629	7,116
Compensated Absences Payable	(2,939)	(3,967)	(6,906)
	<u>\$666,977</u>	<u>\$538,738</u>	<u>\$1,205,715</u>
<i>Net Cash Provided by Operating Activities</i>			

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2010

Assets

Equity in Pooled Cash and Cash Equivalents	\$1,794
Cash and Cash Equivalents in Segregated Accounts	111,463
Hotel Taxes Receivable	14,424
Accounts Receivable	<u>996,699</u>

Total Assets \$1,124,380

Liabilities

Intergovernmental Payable	\$83,974
Due to Others	<u>1,040,406</u>

Total Liabilities \$1,124,380

See accompanying notes to the basic financial statements

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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, 2010

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, 2010

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

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

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

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

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

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, 2010

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, 2010

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, 2010, but which were levied to finance year 2011 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, 2010

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 2010, 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 2010 amounted to \$92,267, which includes \$80,956 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, 2010

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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.

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).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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.

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

O. Operating Revenues and Expenses

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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.

T. Extraordinary and Special Items

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

U. Estimates

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
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NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than 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.

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

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	(\$175,240)	(\$234,328)	\$38,419
Net Adjustment for Revenue Accruals	10,761	(160,235)	(49,605)
Beginning of Year:			
Unrecorded Cash	20,170	0	0
Unrecorded Interest	3,800	838	0
Prepaid Items	65,801	7,025	711
Segregated Accounts	41,081	0	0
End of Year:			
Unrecorded Cash	(21,973)	0	0
Unrecorded Interest	(4,683)	(158)	0
Prepaid Items	(64,535)	(6,699)	(515)
Segregated Accounts	(33,516)	0	0
Net Adjustment for Expenditure Accruals	74,301	26,915	77,247
Encumbrances	(34,259)	(219,585)	(46,043)
Budget Basis	<u><u>(\$118,292)</u></u>	<u><u>(\$586,227)</u></u>	<u><u>\$20,214</u></u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

A. Changes in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets” and Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City’s financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

B. Restatement of Prior Year Balances

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General Fund	Street	Community Development	Capital Improvements	Nonmajor Governmental Funds	Total
Fund Balance at						
December 31, 2009	\$2,094,953	\$1,056,558	\$205,762	\$1,483,759	\$2,900,908	\$7,741,940
GASB 54 Change in in Fund Structure	298,317	0	0	0	(298,317)	0
Adjusted Fund Balance at						
December 31, 2009	<u>\$2,393,270</u>	<u>\$1,056,558</u>	<u>\$205,762</u>	<u>\$1,483,759</u>	<u>\$2,602,591</u>	<u>\$7,741,940</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:

City of Marietta, Ohio
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Fund Balances	General	Street	Community Development	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>						
Prepays	\$64,535	\$6,699	\$515	\$0	\$7,526	\$79,275
Loans	0	0	0	0	45,901	45,901
Park Endowments	0	0	0	0	750	750
Cemetery Endowments	0	0	0	0	440,003	440,003
Inventory	24,989	41,464	0	0	0	66,453
<i>Total Nonspendable</i>	<u>89,524</u>	<u>48,163</u>	<u>515</u>	<u>0</u>	<u>494,180</u>	<u>632,382</u>
<u>Restricted for:</u>						
Street Improvements	0	774,067	0	0	111,112	885,179
Community Development	0	0	243,666	0	18,456	262,122
Cemetery	0	0	0	0	11,724	11,724
Armory	0	0	0	0	471,113	471,113
Fire Protection	0	0	0	0	193,429	193,429
Health	0	0	0	0	153,935	153,935
Law enforcement	0	0	0	0	48,468	48,468
Court Operations	0	0	0	0	196,896	196,896
Law Director Operations	0	0	0	0	14,060	14,060
Energy Conservation	0	0	0	0	103,440	103,440
Pool Improvements	0	0	0	0	675	675
Court Improvements	0	0	0	0	224,729	224,729
Unclaimed monies	22,604	0	0	0	0	22,604
Capital Improvements	0	0	0	1,473,595	0	1,473,595
<i>Total Restricted</i>	<u>22,604</u>	<u>774,067</u>	<u>243,666</u>	<u>1,473,595</u>	<u>1,548,037</u>	<u>4,061,969</u>
<u>Committed to:</u>						
Recreation	0	0	0	0	50,150	50,150
Retirement Payments	180,000	0	0	0	0	180,000
Community Development	0	0	0	0	4,669	4,669
Emergency Rescue	0	0	0	0	1,097	1,097
Veterans	0	0	0	0	911	911
Cemetery Trust	0	0	0	0	5,359	5,359
<i>Total Committed</i>	<u>180,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,186</u>	<u>242,186</u>
<u>Assigned to:</u>						
Other purposes	34,259	0	0	0	0	34,259
<i>Total Assigned</i>	<u>34,259</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,259</u>
<u>Unassigned:</u>						
	1,891,643	0	0	0	(6,152)	1,885,491
Total Fund Balances	<u><u>\$2,218,030</u></u>	<u><u>\$822,230</u></u>	<u><u>\$244,181</u></u>	<u><u>\$1,473,595</u></u>	<u><u>\$2,098,251</u></u>	<u><u>\$6,856,287</u></u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 6 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Marietta Harbor Capital Projects Fund has a deficit fund balance of \$6,152 as of December 31, 2010. The deficit is the result of the recognition of interfund payables to the General Fund. Once grant reimbursements are received, the deficit will be eliminated.

B. Statutory Compliance

The following fund had original appropriations in excess of original estimated revenues plus available balances for the year ended December 31, 2010:

	Estimated Revenues plus Balances	Appropriations plus Encumbrances	Excess
Community Development Special Revenue Fund	\$1,762,756	\$1,982,011	(\$219,255)

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

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.

City of Marietta, Ohio
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Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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;

City of Marietta, Ohio
Notes to the Basic Financial Statements
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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.

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$10,369,060 and the bank balance was \$10,589,406. Of the bank balance, \$1,730,355 was covered by Federal depository insurance and \$8,859,051 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.

City of Marietta, Ohio
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For the Year Ended December 31, 2010

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

2010 tangible personal property taxes are levied after October 1, 2009, on the value as of December 31, 2009. Collections are made in 2010. In prior years, tangible personal property was assessed at 25 percent of true value for machinery and equipment and 23 percent for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2010 it was reduced to zero.

The full tax rate for all City operations for the year ended December 31, 2010, was \$2.40 per \$1,000 of assessed value. The assessed values of real property, public utility tangible property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$235,618,850
Public Utility Property	<u>7,306,640</u>
	<u><u>\$242,925,490</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Marietta. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 9 - RECEIVABLES

Receivables at December 31, 2010, 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 \$49,849. 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 \$45,901.

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 \$208,715, which represents amounts to be received by the City in 2011.

A summary of the principal items of intergovernmental receivables follows:

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For the Year Ended December 31, 2010

Governmental Activities:	<u>Amount</u>
Community Development Block Grant	\$361,164
Gasoline Tax and Motor Vehicle License	332,514
Local Government	282,816
Housing Voucher Program	191,806
Estate Taxes	179,901
Ohio Public Works Commission Grant	158,802
Ohio Department of Transportation Grant	109,703
Community Corrections Grant	74,448
Federal Transit Administration Grant	63,615
American Recovery and Reinvestment Act Monies	50,631
Homestead and Rollback	29,917
Victims Informaion Program	22,648
Utilities Income Tax	19,897
Medicaid	15,691
Tax Reimbursements	7,816
Rail Road Crossing Upgrades Grant	6,225
Indigent Alcohol	5,757
DARE	4,107
Other	4,075
Children with Medical Handicaps Reimbursements	2,840
Health Subsidy	2,447
Excess IRP	2,105
School Resource Officer Grant	1,728
Stop Violence Against Women Grant	1,366
Community Development Block Recovery Grant	1,313
Immobilization Fees	500
Harmar Village Access Grant	463
	<u>1,934,295</u>
Business-Type Activities:	
Other	<u>3,664</u>
 Total Receivable	 <u><u>\$1,937,959</u></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.

City of Marietta, Ohio
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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.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance</u> 12/31/09	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 12/31/10
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,021,534	\$0	\$0	\$1,021,534
Construction in Progress	6,029,057	2,096,913	2,975,914	5,150,056
Total Capital Assets not being Depreciated	<u>7,050,591</u>	<u>2,096,913</u>	<u>2,975,914</u>	<u>6,171,590</u>
Capital Assets being Depreciated:				
Buildings and Improvements	8,472,991	245,900	0	8,718,891
Machinery and Equipment	4,904,573	49,657	0	4,954,230
Vehicles	3,363,471	33,900	0	3,397,371
Infrastructure	29,475,390	4,023,602	0	33,498,992
Total Capital Assets being Depreciated	<u>46,216,425</u>	<u>4,353,059</u>	<u>0</u>	<u>50,569,484</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,530,766)	(240,643)	0	(3,771,409)
Machinery and Equipment	(3,588,456)	(223,273)	0	(3,811,729)
Vehicles	(2,556,900)	(148,880)	0	(2,705,780)
Infrastructure	(22,059,671)	(2,391,417)	0	(24,451,088)
Total Accumulated Depreciation	<u>(31,735,793)</u>	<u>(3,004,213) *</u>	<u>0</u>	<u>(34,740,006)</u>
Total Capital Assets being Depreciated, Net	<u>14,480,632</u>	<u>1,348,846</u>	<u>0</u>	<u>15,829,478</u>
Governmental Activities Capital Assets, Net	<u>\$21,531,223</u>	<u>\$3,445,759</u>	<u>\$2,975,914</u>	<u>\$22,001,068</u>

* Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$1,060,790
General Government - Court	57,627
Security of Persons and Property:	
Police	76,632
Fire	112,170
Public Health Services	41,303
Community Environment	1,896
Street	1,438,726
Transportation	1,218
Leisure Time Activities	213,851
Total Depreciation Expense	<u>\$3,004,213</u>

City of Marietta, Ohio
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For the Year Ended December 31, 2010

	Balance 12/31/09	Increases	Decreases	Balance 12/31/10
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$447,100	\$0	\$0	\$447,100
Construction in Progress	965,723	283,711	150,082	1,099,352
Total Capital Assets not being Depreciated	<u>1,412,823</u>	<u>283,711</u>	<u>150,082</u>	<u>1,546,452</u>
Capital Assets being Depreciated:				
Buildings and Improvements	306,893	0	0	306,893
Machinery and Equipment	2,007,045	0	0	2,007,045
Vehicles	685,400	0	0	685,400
Infrastructure	55,317,871	816,409	0	56,134,280
Total Capital Assets being Depreciated	<u>58,317,209</u>	<u>816,409</u>	<u>0</u>	<u>59,133,618</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(163,094)	(5,219)	0	(168,313)
Machinery and Equipment	(1,580,026)	(126,624)	0	(1,706,650)
Vehicles	(611,894)	(14,289)	0	(626,183)
Infrastructure	(45,378,374)	(828,623)	0	(46,206,997)
Total Accumulated Depreciation	<u>(47,733,388)</u>	<u>(974,755)</u>	<u>0</u>	<u>(48,708,143)</u>
Total Capital Assets being Depreciated, Net	<u>10,583,821</u>	<u>(158,346)</u>	<u>0</u>	<u>10,425,475</u>
Business-Type Activities Capital Assets, Net	<u>\$11,996,644</u>	<u>\$125,365</u>	<u>\$150,082</u>	<u>\$11,971,927</u>

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	
	Limit (Per		
<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
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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 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 the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 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 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 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 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

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The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008, were \$520,653, \$439,234, and \$337,500, respectively. For 2010, 87.66 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$2,578 made by the City and \$1,842 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 \$209,753 and \$371,426 for the year ended December 31, 2010, \$211,792 and \$332,018 for the year ended December 31, 2009, and \$213,267 and \$311,758 for the year ended December 31, 2008, respectively. For 2010, 73.25 percent for police and 71.62 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 2009 and 2008.

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
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For the Year Ended December 31, 2010

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 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 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code 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 and public safety employer units.

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 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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, 2010, 2009, and 2008, were \$318,177, \$284,210, and \$337,500, respectively. For 2010, 87.66 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased 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
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B. Police and Firemen's Disability and Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored 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, 2010, 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 \$111,046 and \$145,341 for the year ended December 31, 2010, \$112,906 and \$121,992 for the year ended December 31, 2009, and \$112,906 and \$121,992 for the year ended December 31, 2008. For 2010, 73.25 percent has been contributed for police and 71.62 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 2009 and 2008.

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 \$247.50 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.

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For the Year Ended December 31, 2010

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2010, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amount Expended	Amount Remaining on Contracts
Capital Asset Projects:			
<i>Putnam & 7th Street Traffic Signal:</i>			
Street Fund	\$30,293	\$27,793	\$2,500
<i>LED Signal Head Retrofit:</i>			
Street Fund	212,732	210,782	1,950
<i>Armory Square:</i>			
Street Fund	10,000	10,000	0
Armory Fund	801,405	727,530	73,875
	<u>811,405</u>	<u>737,530</u>	<u>73,875</u>
<i>Energy Conservation:</i>			
Energy Conservation Fund	554,805	554,339	466
<i>Justice Center:</i>			
Court Capital Improvement Fund	2,013,906	1,945,605	68,301
Capital Improvement Fund	4,249	4,249	0
	<u>2,018,155</u>	<u>1,949,854</u>	<u>68,301</u>
<i>Riverfront Trail Phase II:</i>			
Street Fund	1,207,176	1,149,647	57,529
Community Development Fund	137,163	137,163	0
	<u>1,344,339</u>	<u>1,286,810</u>	<u>57,529</u>
<i>State Route 26 Resurfacing:</i>			
Street Fund	593,274	162,122	431,152
<i>Washington Street Intersection Study:</i>			
Street Fund	28,181	4,296	23,885
<i>SR7/Acme/Jefferson Streets Intersection:</i>			
Street Fund	198,114	28,697	169,417
<i>Pike/7th/Green Streets Intersection:</i>			
Street Fund	380,802	104,135	276,667
<i>Waste Water Treatment Plant Upgrade:</i>			
Sewer Fund	1,589,810	1,099,352	490,458
Total All Projects	<u>\$7,761,910</u>	<u>\$6,165,710</u>	<u>\$1,596,200</u>

City of Marietta, Ohio
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For the Year Ended December 31, 2010

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2010, were as follows:

	Principal Outstanding 12/31/09	Additions	Deletions	Principal Outstanding 12/31/10	Amounts Due in One Year
Governmental Activities:					
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	\$129,500	\$0	\$9,000	\$120,500	\$9,000
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	84,561	0	18,142	66,419	9,207
2009 Capital Facilities Bond					
Anticipation Note @ 2.5%	732,000	0	732,000	0	0
2010 Capital Facilities Bond					
Anticipation Note @ 1.875%	0	494,000	0	494,000	0
Energy Conservation Loan @ 2.7%	462,800	0	52,600	410,200	54,000
Intergovernmental Payable	0	87,947	0	87,947	0
Compensated Absences - Sick Leave	775,970	36,472	87,675	724,767	68,354
Total Governmental Activities	<u>\$2,184,831</u>	<u>\$618,419</u>	<u>\$899,417</u>	<u>\$1,903,833</u>	<u>\$140,561</u>
Business-Type Activities:					
<u>Bonds:</u>					
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	\$3,940,000	\$0	\$270,000	\$3,670,000	\$275,000
Bond Discount	(6,073)	0	(528)	(5,545)	0
Deferred Amount on Refunding	(184,005)	0	(16,000)	(168,005)	0
Total Water Refunding Bonds	<u>3,749,922</u>	<u>0</u>	<u>253,472</u>	<u>3,496,450</u>	<u>275,000</u>
<u>Notes:</u>					
2009 Bond Anticipation Note @ 2.5%	375,000	0	375,000	0	0
2010 Bond Anticipation Note @ 1.875%	0	355,000	0	355,000	0
Water 2010 @ 1.875%	0	762,000	0	762,000	0
Sewer 2010 @ 1.875%	0	111,000	0	111,000	0
Total Bond Anticipation Notes	<u>375,000</u>	<u>1,228,000</u>	<u>375,000</u>	<u>1,228,000</u>	<u>0</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2007 - \$1,080,000 @ 3.2%	289,358	201,981	210,652	280,687	107,861
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	346,063	0	19,924	326,139	10,254
Water OPWC Loan					
1996 - \$400,000 @ 0%	160,000	0	20,000	140,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$479,936 @ 2%	387,962	0	21,582	366,380	10,953
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	298,272	0	22,226	276,046	11,280
Total Loans	<u>1,481,655</u>	<u>201,981</u>	<u>294,384</u>	<u>1,389,252</u>	<u>150,348</u>
Compensated Absences - Sick Leave	208,712	17,180	24,086	201,806	30,591
Total Business-Type Activities	<u>\$5,815,289</u>	<u>\$1,447,161</u>	<u>\$946,942</u>	<u>\$6,315,508</u>	<u>\$455,939</u>

City of Marietta, Ohio
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Compensated absences reported in the “compensated absences payable” account will be paid from the fund which the employees’ salaries are paid, which are the General Fund; the Cemetery, Recreation, Community Development, Marietta Housing, 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 State Route 7 Access Road and widening project. The notes were refinanced in May, 2011 (See Note 22). The notes will be repaid with 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. Since the final draw on this loan has not been received, an amortization schedule has not been established. The 2002 Ohio Water Development Authority (OWDA) loan was obtained to help finance the sewer grit removal project.

The City has pledged future sewer customer revenues to repay the two OWDA loans. The loans are payable solely from net revenues and are payable through 2023. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 9 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$695,620. Principal and interest payments for the current year were \$270,470, net revenues were \$641,778, and total revenues were \$2,895,199.

The Water Bond Anticipation Note was issued to finance the Cisler Drive Water Line project. The notes were refinanced in May, 2011 (See Note 22).

During 2010, the City issued two Bond Anticipation Notes for the Water and Wastewater Departments.

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.

City of Marietta, Ohio
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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 2010 is \$16,000.

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 \$4,628,167. Principal and interest payments for the current year were \$423,690, net revenues were \$537,179, and total revenues were \$3,010,075.

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2010, are as follows:

Year	Parking Lot Bonds	
	Principal	Interest
2011	\$9,000	\$6,904
2012	10,000	6,388
2013	10,000	5,816
2014	11,000	5,242
2015	11,500	4,612
2016-2020	69,000	12,292
	\$120,500	\$41,254

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2010, are as follows:

Year	Principal	Interest
2011	\$9,207	\$664
2012	18,693	1,051
2013	19,068	675
2014	19,451	293
	\$66,419	\$2,683

Principal and interest requirements to retire the Energy Conservation Loan liability at December 31, 2010, are as follows:

Year	Principal	Interest
2011	\$54,000	\$11,076
2012	55,500	9,618
2013	57,000	8,119
2014	58,500	6,580
2015	60,100	5,000
2016-2017	125,100	90
	\$410,200	\$40,483

City of Marietta, Ohio
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Principal and interest requirements to retire the water refunding bonds outstanding at December 31, 2010, are as follows:

Year	Water Refunding Bonds	
	Principal	Interest
2011	\$275,000	\$145,050
2012	285,000	135,700
2013	295,000	125,582
2014	305,000	114,815
2015	320,000	103,378
2016-2020	1,785,000	316,226
2021	405,000	17,416
	<u>\$3,670,000</u>	<u>\$958,167</u>

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2010, are as follows:

Year	OPWC Loans					OWDA Loan	
	Sewer		Water Treatment	Water Glendale Tank		Sewer	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2011	\$11,280	\$2,760	\$10,000	\$10,953	\$3,664	\$10,254	\$6,343
2012	22,900	5,182	20,000	22,235	6,998	21,110	12,085
2013	23,360	4,721	20,000	22,683	6,551	21,939	11,255
2014	23,830	4,252	20,000	23,139	6,095	22,801	10,394
2015	24,309	3,773	20,000	23,603	5,630	23,696	9,498
2016-2020	129,073	11,335	50,000	125,329	20,841	133,197	32,776
2021-2025	41,294	829	0	138,438	7,726	93,142	6,443
	<u>\$276,046</u>	<u>\$32,852</u>	<u>\$140,000</u>	<u>\$366,380</u>	<u>\$57,505</u>	<u>\$326,139</u>	<u>\$88,794</u>

As of December 31, 2010, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$24,588,257.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 18 - NOTES PAYABLE

Changes in short-term obligations of the City for the year ended December 31, 2010, were as follows:

	Principal Outstanding 12/31/09	Additions	Deletions	Principal Outstanding 12/31/10
Governmental Activities:				
2009 Capital Facilities Bond Anticipation Note @ 2.5%	\$238,000	\$0	\$238,000	\$0
2010 Capital Facilities Bond Anticipation Note @ 1.875%	0	238,000	0	238,000
Business-Type Activities:				
2009 Bond Anticipation Note @ 2.5%	20,000	0	20,000	0
2010 Bond Anticipation Note @ 1.875%	0	20,000	0	20,000
Water 2010 @ 1.875%	0	30,000		30,000
Sewer 2010 @ 1.875%	0	48,000		48,000
Total Notes Payable	<u>\$258,000</u>	<u>\$336,000</u>	<u>\$258,000</u>	<u>\$336,000</u>

The Capital Facilities Bond Anticipation Note was issued to finance the State Route 7 Access Road and widening project. The Water Bond Anticipation Note was issued to finance the Cisler Drive Water Line project. The notes will mature on May 19, 2011.

NOTE 19 - INTERFUND TRANSFERS AND BALANCES

Interfund transfers during 2010 consisted of the following:

Transfers to	Transfers from		Total
	Major Fund General	Other Governmental Funds	
Major Fund: General	\$0	\$172,065	\$172,065
Special Revenue Funds: Street	0	79,203	79,203
Cemetery	143,155	0	143,155
Total	<u>\$143,155</u>	<u>\$251,268</u>	<u>\$394,423</u>

Generally, transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to segregate money for anticipated capital projects.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Interfund balances, as of December 31, 2010, consist of the following individual interfund receivables and payables:

Interfund Receivable	Other Governmental Funds
Major Fund:	
General	\$11,518
Enterprise Fund:	
Water	1,313
Total	\$12,831

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 \$1,452 to the District during 2010. 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 2010, 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.

City of Marietta, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 2010, 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

B. Litigation

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

NOTE 22 - SUBSEQUENT EVENT

The City retired the \$970,000 capital facilities bond anticipation note bearing an interest rate of 2.5% on May 20, 2011, and issued a new note for \$732,000.

The City retired the \$375,000 water bond anticipation note bearing an interest rate of 2.5% on May 19, 2011, and issued a new note for \$355,000.

On May 19, 2011, the City also issued an additional \$792,000 water bond anticipation note and a \$159,000 sewer bond anticipation note.

**CITY OF MARIETTA
WASHINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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-09-MC-39-0018	\$ 231,095
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-39-0018	147,510
ARRA - Community Development Block Grant/Entitlement Grants	14.253	B-09-MY-39-0018	81,802
Total Community Development Block Grants - Entitlement Grants Cluster			<u>460,407</u>
Section 8 Housing Choice Vouchers	14.871	N/A	2,198,869
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grants/State's Programs	14.228	A-Z-08-ZHT-1	829,314
Total United States Department of Housing and Urban Development			<u>3,488,590</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Direct from Federal Government:</i>			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-00879	21,681
Total Federal Emergency Management Agency			<u>21,681</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	16.575	2010VAGENE329	20,418
Crime Victim Assistance	16.575	2011VAGENE329	6,570
Total Crime Victim Assistance			<u>26,988</u>
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	16.588	2009-WF-VAZ-8424	31,813
Total United States Department of Justice			<u>58,801</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Public Safety:</i>			
State and Community Highway Safety	20.600	TE-2009-84-00-00-00403-00	6,922
State and Community Highway Safety	20.600	TE-2010-84-00-00-00406-00	7,000
Washington Street Bridge Closure Detour Study	20.600	PID#82958	29,840
Total State and Community Highway Safety			<u>43,762</u>
<i>Passed through the Ohio Department of Transportation:</i>			
ARRA - Highway Planning and Construction	20.205	PID#86302	1,015,388
<i>Passed through Washington County:</i>			
ARRA - Federal Transit - Formula Grants	20.507	OH-96-X028-00	291,492
Total United States Department of Transportation			<u>1,350,642</u>
Total Federal Financial Assistance			<u>\$ 4,919,714</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, 2010**

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 19, 2011

City of Marietta
Washington County
10075 Ravenna Road
Marietta, Ohio 44087

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 19, 2011. 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 19, 2011.

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,



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

September 19, 2011

City of Marietta
Washington County
10075 Ravenna Road
Marietta, Ohio 44087

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 each of the City's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of audit findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 opinions. 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 each of its major federal programs for the year ended December 31, 2010.

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, 2010**

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 #20.205 – ARRA - Highway Planning and Construction CFDA #14.871 – Section 8 Housing Choice Vouchers CFDA #14.228 – Community Development Block Grants / State Programs CFDA #14.218, #14.253 Community Development Block Grants / Entitlement Grants Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**CITY OF MARIETTA
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC Section 5705.41(B) Expenditures exceeding appropriations	Yes	N/A



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
JANUARY 24, 2012