

City of Marietta

Audited Financial Statements

December 31, 2003



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
City of Marietta
308 Putnam Street
Marietta, Ohio 45750

We have reviewed the Independent Auditor's Report of the City of Marietta, Washington County, prepared by Rea & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 23, 2005

This Page is Intentionally Left Blank.

**CITY OF MARIETTA
WASHINGTON COUNTY**

DECEMBER 31, 2003

Table of Contents

	<i>Page</i>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-9
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11-12
 Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Community Development Fund	19
Statement of Fund Net Assets – Enterprise Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	21
Statement of Cash Flows – Enterprise Funds	22
Statement of Fiduciary Assets and Liabilities – Agency Funds	23
Notes to the Basic Financial Statements (Unaudited)	24-55

**CITY OF MARIETTA
WASHINGTON COUNTY**

DECEMBER 31, 2003

Table of Contents (continued)

	<i>Page</i>
Schedule of Expenditures of Federal Awards.....	56
Notes to the Schedule of Expenditures of Federal Awards	57
Independent Auditor’s Report on Compliance and Internal Control Required by Governmental Auditing Standards	58
Independent Auditor’s Report on Compliance with Requirements Applicable To Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	59-60
Schedule of Findings and Questioned Costs.....	61-67
Summary Schedule of Prior Audit Findings.....	68

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 4, 2004

Mayor and Members of Council
City of Marietta
Marietta, OH 45750

Independent Auditor's Report

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, Ohio, (the "City") as of and for the year ended December 31, 2003, 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 of Marietta'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, Ohio as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, 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 November 4, 2004 on our consideration of the City of Marietta, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

City of Marietta
November 4, 2004
Page 2

As stated in Note 3, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 34, "Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003

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, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets decreased \$983,987. Net assets of governmental activities decreased \$627,837 and the business-type activities decreased \$356,150.
- General governmental revenues accounted for \$9,302,325 in revenue or 67% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,635,045 or 33% of total revenues of \$13,937,370.
- For governmental activities, total assets only increased \$36,504 as cash decreased \$927,384 and grant receivables decreased \$371,333 while capital assets increased \$1,286,678. Total liabilities increased \$664,341, mainly from the increase in accounts and contracts payable of \$536,451.
- For business-type activities, total assets only decreased \$41,580 as cash decreased \$515,673 and capital assets increased \$380,431. Total liabilities increased \$314,570, mainly from increases in long-term liabilities of \$311,878.

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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003

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

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

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

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

Reporting the City of Marietta's Most Significant Funds

Fund Financial Statements

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

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003

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 2003 compared to 2002.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$12,855,545	\$14,105,719	\$3,761,062	\$4,183,073	\$16,616,607	\$18,288,792
Capital Assets, Net	17,431,572	16,144,894	16,319,341	15,938,910	33,750,913	32,083,804
<i>Total Assets</i>	<u>30,287,117</u>	<u>30,250,613</u>	<u>20,080,403</u>	<u>20,121,983</u>	<u>50,367,520</u>	<u>50,372,596</u>
Liabilities						
Current and Other Liabilities	2,418,059	1,768,206	647,926	682,365	3,065,985	2,450,571
Long-term Liabilities						
Due Within One Year	147,170	134,962	388,074	350,943	535,244	485,905
Due in More Than One Year	866,666	864,386	6,864,079	6,552,201	7,730,745	7,416,587
<i>Total Liabilities</i>	<u>3,431,895</u>	<u>2,767,554</u>	<u>7,900,079</u>	<u>7,585,509</u>	<u>11,331,974</u>	<u>10,353,063</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	17,072,421	15,763,960	9,453,650	9,235,349	26,526,071	24,999,309
Restricted:						
Capital Projects	2,826,641	2,939,244	0	0	2,826,641	2,939,244
Debt Service	0	0	33,746	468,267	33,746	468,267
Other Purposes	3,504,373	4,412,542	0	0	3,504,373	4,412,542
Park Endowment	1,000	1,000	0	0	1,000	1,000
Perpetual Care:						
Expendable	1,412	0	0	0	1,412	0
Non-expendable	393,958	383,758	0	0	393,958	383,758
Unclaimed Monies	13,771	11,535	0	0	13,771	11,535
Unrestricted	3,041,646	3,971,020	2,692,928	2,832,858	5,734,574	6,803,878
<i>Total Net Assets</i>	<u>\$26,855,222</u>	<u>\$27,483,059</u>	<u>\$12,180,324</u>	<u>\$12,536,474</u>	<u>\$39,035,546</u>	<u>\$40,019,533</u>

Total assets only increased \$5,076, a \$36,504 governmental activities increase and a \$41,580 business-type activities decrease. Total liabilities increased \$978,911, \$664,341 for governmental activities and \$314,570 for business-type activities.

For governmental activities, cash decreased \$927,384 and grant receivables decreased \$371,333 while capital assets increased \$1,286,678. The grant receivable decrease is mainly attributable to the City no longer receiving Community Housing Improvement Program funding. The City had \$3,132,649 in capital asset additions during 2003. Infrastructure (the City's streets and related components) accounted for \$1,267,597 of the additions along with \$472,706 in vehicle purchases. The increase in liabilities of \$664,341 is mainly from the increase in accounts and contracts payable of \$536,451. The significant contracts payable relates to the \$3,266,196 Marietta Aquatic Center project.

For business-type activities, cash decreased \$515,673 and capital assets increased \$380,431 while receivables from other governments decreased \$107,426 (the Sewer Fund recorded a \$108,352 receivable from the Ohio

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Public Works Commission at December 31, 2002). Total liabilities increased \$314,570, mainly from increases in long-term liabilities of \$311,878.

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

(Table 2)
 Changes in Net Assets

	Governmental Activities 2003	Business- Type Activities 2003	Total 2003
Revenues			
Program Revenues			
Charges for Services	\$1,336,371	\$4,486,709	\$5,823,080
Operating Grants, Contributions and Interest	3,037,784	0	3,037,784
Capital Grants and Contributions	260,890	659,320	920,210
Total Program Revenues	4,635,045	5,146,029	9,781,074
General Revenues			
Property Taxes	618,435	0	618,435
Income Taxes	6,756,351	0	6,756,351
Payment in Lieu of Taxes	152,266	0	152,266
Franchise Fees	103,271	0	103,271
Grants and Entitlements	1,346,737	0	1,346,737
Investment Earnings	291,126	4,705	295,831
Gain on Sale of Capital Assets	7,886	2,000	9,886
Other	26,253	24,444	50,697
Total General Revenues	9,302,325	31,149	9,333,474
Total Revenues	13,937,370	5,177,178	19,114,548
Program Expenses			
General Government	2,797,013	0	2,797,013
General Government - Court	1,154,930	0	1,154,930
Security of Persons and Property:			
Police	2,641,719	0	2,641,719
Fire	2,563,240	0	2,563,240
Public Health Services	567,175	0	567,175
Street	2,337,018	0	2,337,018
Transportation	97,101	0	97,101
Leisure Time Activities	377,065	0	377,065
Community Environment	659,839	0	659,839
Intergovernmental	1,349,056	0	1,349,056
Interest and Fiscal Charges	21,051	0	21,051
Sewer	0	2,368,583	2,368,583
Water	0	3,164,745	3,164,745
Total Program Expenses	14,565,207	5,533,328	20,098,535
Increase (Decrease) in Net Assets	(\$627,837)	(\$356,150)	(\$983,987)

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003

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 48 and 34 percent, respectively, of all revenues in the governmental activities.

The City has worked very hard on increasing our income tax base by being proactive with new businesses and is continuing to strive to provide better service to the taxpayers at the lowest possible cost. The Income Tax Department vigorously pursues collections of delinquent income taxes and routinely takes steps to identify non-filers. The ability of the City to continue to provide quality services without income tax increases rests on City Management's ability to keep costs in line.

Security of persons and property is a major activity of the City, generating 36% of the governmental expenses. During 2003, expenses for police and fire operations amounted to \$2,641,719 and \$2,563,240, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department with grants to enable the police department to widen the scope of its activities.

Street activities of the City accounted for 16% of the governmental expenses. Street paving, patching, and street lighting expenses during 2003 amounted to \$1,967,552, with most of the remaining transportation expenses representing depreciation in the amount of \$1,081,004 offset by capital asset additions of \$878,501 and disposals of \$166,963.

Business-Type Activities

The City's business-type activities are the water and sewer departments. During 2003, the City completed the \$1,081,019 sewer grit removal system project. This project was financed mainly with loans from the Ohio Water Development Authority for \$458,437 and grants from and loans from the Ohio Public Works Commission (OPWC) for \$367,672 and \$461,023, respectively. The City spent \$970,854 during 2003 on the \$1,239,180 Glendale water storage tank project. This project is financed with a loan and a grant from the OPWC for \$605,143 and \$400,000, respectively, and operating revenues from the Water Enterprise Fund.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,082,915 and expenditures of \$15,794,600.

The fund balance of the General Fund decreased \$782,254. The General Fund's Unreserved Fund Balance of \$3,259,898 represented 21% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Fund decreased \$241,033. The Street Fund's Unreserved Fund Balance of \$539,197 represented 37% of current year expenditures.

The fund balance of the Community Development Fund decreased \$12,327. The Community Development Fund is used to account for federal grant programs for housing and community development.

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003

The fund balance of the Capital Improvement Fund decreased \$156,259. The Capital Improvement Fund's Unreserved Fund Balance of \$722,032 represented 5% of current year expenditures. This balance is invested for future projects; the reserved balance is encumbered for street improvements and for the new aquatic center. During 2003, the Water Fund had operating revenues of \$2,413,914 and operating expenses of \$2,520,487. The Sewer Fund had operating revenues of \$2,097,239 and operating expenses of \$2,309,411. The major expenses for these funds are salaries and wages.

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 2003, the City amended its General Fund budget several times. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. Since the legal level of budgetary control is at the object level, any budgetary modifications at this level may only be made by resolution of the Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely, looking for possible revenue shortfalls or over spending by individual departments.

For the General Fund, no changes were made to the original budgeted revenues. Final budgeted expenditures increased \$423,889 over the original amount. General Government had been budgeted for aquatic center expenditures that did not take place. The City of Marietta's ending unencumbered cash balance in the General Fund was \$3,013,770 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2003, were \$33,750,913 (net of accumulated depreciation). This includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress.

For governmental activities, significant capital asset additions during 2003 included \$859,677 for paving City streets and \$366,576 for street lighting enhancements.

For business-type activities, major capital asset additions during 2003 included the completion of the one million dollar sewer grit removal project and the start of the \$1.2 million Glendale water storage tank replacement project.

Note 10 (Capital Assets) provides capital asset activity during 2003.

Debt

As of December 31, 2003, the City had total general obligation bonded debt outstanding principal of \$6,263,000. \$263,000 of this debt is expected to be repaid through governmental activities and \$6,000,000 of the debt is expected to be repaid through business-type activities. The City's long term general obligation

City of Marietta, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003

bonded debt decreased \$96,000 during 2003. Other outstanding long-term debt included OPWC loans of \$1,117,045 and an OWDA loan payable of \$450,685.

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

Current Finance Related Activities

The overall view of the City of Marietta's financial activities for the year ended December 31, 2003, concludes that the City had several large projects that required large amounts of revenue to cover their costs. Despite the local and national economic declines experienced in the past two years, the City maintained steady, healthy cash flows. For our business-type activities, infrastructure upgrades continued to be a major priority for the City. The major projects for governmental activities included the Marietta aquatic center, a study for a new municipal building, and a study for a new municipal justice center for the Municipal Court.

Contacting the City Auditor's Department

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

City of Marietta, Ohio

Statement of Net Assets

December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,580,139	\$2,265,169	\$9,845,308
Cash and Cash Equivalents in Segregated Accounts	48,819	132,075	180,894
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	34,156	34,156
Investments	1,494,794	100,000	1,594,794
Accounts Receivable	28,013	924,106	952,119
Payment in Lieu of Taxes Receivable	152,266	0	152,266
Accrued Interest Receivable	115,697	0	115,697
Due from Other Governments	1,624,903	926	1,625,829
Internal Balances	10,164	(10,164)	0
Municipal Income Tax Receivable	973,563	0	973,563
Special Assessments Receivable	34,435	0	34,435
Loans Receivable	130,392	0	130,392
Materials and Supplies Inventory	26,902	55,573	82,475
Prepaid Items	128,821	70,829	199,650
Property and Other Taxes Receivable	506,637	0	506,637
Deferred Charges	0	188,392	188,392
Non-Depreciable Capital Assets	1,984,874	1,496,560	3,481,434
Depreciable Capital Assets, Net	<u>15,446,698</u>	<u>14,822,781</u>	<u>30,269,479</u>
<i>Total Assets</i>	<u>30,287,117</u>	<u>20,080,403</u>	<u>50,367,520</u>
Liabilities			
Accounts Payable	344,792	47,477	392,269
Contracts Payable	389,374	134,332	523,706
Accrued Wages Payable	217,232	56,931	274,163
Due to Other Governments	461,831	79,153	540,984
Retainage Payable	25,716	53,280	78,996
Deferred Revenue	475,873	0	475,873
Accrued Interest Payable	1,107	17,994	19,101
Vacation Benefits Payable	502,134	111,222	613,356
Customer Deposits Payable	0	147,537	147,537
Long-Term Liabilities:			
Due Within One Year	147,170	388,074	535,244
Due In More Than One Year	<u>866,666</u>	<u>6,864,079</u>	<u>7,730,745</u>
<i>Total Liabilities</i>	<u>3,431,895</u>	<u>7,900,079</u>	<u>11,331,974</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,072,421	9,453,650	26,526,071
Restricted for:			
Capital Projects	2,826,641	0	2,826,641
Other Purposes	3,504,373	0	3,504,373
Debt Service	0	33,746	33,746
Perpetual Care:			
Expendable	1,412	0	1,412
Non-expendable	393,958	0	393,958
Park Trust	1,000	0	1,000
Unclaimed Monies	13,771	0	13,771
Unrestricted	<u>3,041,646</u>	<u>2,692,928</u>	<u>5,734,574</u>
<i>Total Net Assets</i>	<u>\$26,855,222</u>	<u>\$12,180,324</u>	<u>\$39,035,546</u>

The accompanying notes are an integral part of the basic financial statements.

This Page is Intentionally Left Blank.

City of Marietta, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$2,797,013	\$688,967	\$31,820	\$0
General Government - Court	1,154,930	225,851	230,385	0
Security of Persons and Property:				
Police	2,641,719	27,719	45,450	0
Fire	2,563,240	10,200	9,616	0
Public Health Services	567,175	227,320	50,119	0
Community Environment	659,839	0	827,069	0
Street	2,337,018	2,224	684,286	125,000
Transportation	97,101	104,600	0	1,902
Leisure Time Activities	377,065	49,490	52,462	0
Intergovernmental	1,349,056	0	1,106,577	133,988
Interest and Fiscal Charges	21,051	0	0	0
<i>Total Governmental Activities</i>	<u>14,565,207</u>	<u>1,336,371</u>	<u>3,037,784</u>	<u>260,890</u>
Business-Type Activities				
Sewer	2,368,583	2,080,360	0	259,320
Water	3,164,745	2,406,349	0	400,000
<i>Total Business-Type Activities</i>	<u>5,533,328</u>	<u>4,486,709</u>	<u>0</u>	<u>659,320</u>
<i>Total</i>	<u><u>\$20,098,535</u></u>	<u><u>\$5,823,080</u></u>	<u><u>\$3,037,784</u></u>	<u><u>\$920,210</u></u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Other Purposes

 Debt Service

Income Taxes Levied for:

 General Purposes

 Street

 Recreation

 Cemetery

 Fire Levy

 Capital Outlay

Payment in Lieu of Taxes

Franchise Fees

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Gain on Sale of Capital Assets

Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - See Note 4

Net Assets End of Year

The accompanying notes are an integral part of the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,076,226)	\$0	(\$2,076,226)
(698,694)	0	(698,694)
(2,568,550)	0	(2,568,550)
(2,543,424)	0	(2,543,424)
(289,736)	0	(289,736)
167,230	0	167,230
(1,525,508)	0	(1,525,508)
9,401	0	9,401
(275,113)	0	(275,113)
(108,491)	0	(108,491)
(21,051)	0	(21,051)
(9,930,162)	0	(9,930,162)
0	(28,903)	(28,903)
0	(358,396)	(358,396)
0	(387,299)	(387,299)
(9,930,162)	(387,299)	(10,317,461)
485,649	0	485,649
116,530	0	116,530
16,256	0	16,256
4,459,805	0	4,459,805
911,973	0	911,973
79,236	0	79,236
124,994	0	124,994
745,879	0	745,879
434,464	0	434,464
152,266	0	152,266
103,271	0	103,271
1,346,737	0	1,346,737
291,126	4,705	295,831
7,886	2,000	9,886
26,253	24,444	50,697
9,302,325	31,149	9,333,474
(627,837)	(356,150)	(983,987)
27,483,059	12,536,474	40,019,533
<u>\$26,855,222</u>	<u>\$12,180,324</u>	<u>\$39,035,546</u>

City of Marietta, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$3,438,442	\$583,625	\$49,092	\$2,336,384	\$1,172,596	\$7,580,139
Cash and Cash Equivalents in Segregated Accounts	34,977	0	0	0	13,842	48,819
Investments	0	0	0	0	1,494,794	1,494,794
Receivables:						
Property and Other Taxes	365,737	0	0	0	140,900	506,637
Municipal Income Tax	589,614	111,694	0	21,575	250,680	973,563
Payment in Lieu of Taxes	0	0	0	0	152,266	152,266
Accounts	28,013	0	0	0	0	28,013
Accrued Interest	8,939	503	0	0	106,255	115,697
Interfund	34,598	0	0	0	0	34,598
Special Assessments	0	34,435	0	0	0	34,435
Loans	0	0	0	0	130,392	130,392
Due from Other Governments	403,598	336,794	732,048	0	152,463	1,624,903
Materials and Supplies Inventory	15,812	11,090	0	0	0	26,902
Prepaid Items	103,435	8,615	478	0	16,293	128,821
<i>Total Assets</i>	<u>\$5,023,165</u>	<u>\$1,086,756</u>	<u>\$781,618</u>	<u>\$2,357,959</u>	<u>\$3,630,481</u>	<u>\$12,879,979</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$230,009	\$27,155	\$665	\$57,329	\$29,634	\$344,792
Contracts Payable	42,477	19,238	49,321	102,352	175,986	389,374
Retainage Payable	912	152	3,283	20,249	1,120	25,716
Accrued Wages Payable	161,897	19,755	438	0	35,142	217,232
Due to Other Governments	354,398	22,022	3,185	0	82,226	461,831
Deferred Revenue	625,038	295,711	421,152	0	474,814	1,816,715
Interfund Payable	0	0	1,338	0	23,096	24,434
<i>Total Liabilities</i>	<u>1,414,731</u>	<u>384,033</u>	<u>479,382</u>	<u>179,930</u>	<u>822,018</u>	<u>3,280,094</u>
Fund Balances						
Reserved for Encumbrances	334,765	163,526	80,831	1,455,997	1,242,464	3,277,583
Reserved for Loans	0	0	0	0	130,392	130,392
Reserved for Endowments	0	0	0	0	394,958	394,958
Reserved for Unclaimed Monies	13,771	0	0	0	0	13,771
Unreserved, Undesignated, Reported in:						
General Fund	3,259,898	0	0	0	0	3,259,898
Special Revenue Funds	0	539,197	221,405	0	804,719	1,565,321
Permanent Funds	0	0	0	0	1,412	1,412
Capital Projects Funds	0	0	0	722,032	234,518	956,550
<i>Total Fund Balances</i>	<u>3,608,434</u>	<u>702,723</u>	<u>302,236</u>	<u>2,178,029</u>	<u>2,808,463</u>	<u>9,599,885</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,023,165</u>	<u>\$1,086,756</u>	<u>\$781,618</u>	<u>\$2,357,959</u>	<u>\$3,630,481</u>	<u>\$12,879,979</u>

The accompanying notes are an integral part of the basic financial statements.

City of Marietta, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Total Governmental Fund Balances \$ 9,599,885

*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. 17,431,572

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

Investment Earnings	\$	94,618	
Property Taxes		22,081	
Municipal Income Tax		64,410	
Payment in Lieu of Taxes		152,266	
Special Assessments		34,435	
Intergovernmental Revenues		967,948	
Fines, Licenses and Permits		3,314	
Charges for Services		1,770	
Total			1,340,842

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

Bonds Payable		(263,000)	
Accrued Interest Payable		(1,107)	
Loans Payable		(186,151)	
Compensated Absences Payable - Sick Leave		(564,685)	
Vacation Benefits Payable		(502,134)	
Total			(1,517,077)

Net Assets of Governmental Activities **\$ 26,855,222**

The accompanying notes are an integral part of 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, 2003

	General	Street	Community Development	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Taxes	\$483,753	\$0	\$0	\$0	\$132,156	\$615,909
Municipal Income Tax	4,433,494	910,454	0	436,500	948,484	6,728,932
Charges for Services	164,661	2,224	0	0	221,230	388,115
Fines, Licenses and Permits	694,243	0	0	0	334,674	1,028,917
Intergovernmental	1,363,404	743,833	2,274,802	0	550,442	4,932,481
Special Assessments	0	6,744	0	0	0	6,744
Investment Earnings	291,126	21,378	0	0	20,143	332,647
Other	33,108	4,132	0	0	11,930	49,170
<i>Total Revenues</i>	<u>7,463,789</u>	<u>1,688,765</u>	<u>2,274,802</u>	<u>436,500</u>	<u>2,219,059</u>	<u>14,082,915</u>
Expenditures						
Current:						
General Government	3,188,810	0	0	0	77,442	3,266,252
General Government - Court	736,974	0	0	0	354,982	1,091,956
Security of Persons and Property:						
Police	2,310,267	0	0	0	103,053	2,413,320
Fire	1,586,015	0	0	0	816,168	2,402,183
Public Health Services	361,073	0	0	0	346,615	707,688
Community Environment	0	0	913,419	0	103,976	1,017,395
Street	0	1,944,806	0	0	0	1,944,806
Transportation	0	0	0	0	110,038	110,038
Leisure Time Activities	0	0	0	0	377,773	377,773
Capital Outlay	0	0	0	592,759	388,220	980,979
Intergovernmental	0	0	1,349,056	0	0	1,349,056
Debt Service:						
Principal Retirement	0	15,783	0	0	96,000	111,783
Interest and Fiscal Charges	0	3,960	0	0	17,411	21,371
<i>Total Expenditures</i>	<u>8,183,139</u>	<u>1,964,549</u>	<u>2,262,475</u>	<u>592,759</u>	<u>2,791,678</u>	<u>15,794,600</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(719,350)</u>	<u>(275,784)</u>	<u>12,327</u>	<u>(156,259)</u>	<u>(572,619)</u>	<u>(1,711,685)</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	11,506	34,751	0	0	0	46,257
Transfers In	0	0	0	0	74,410	74,410
Transfers Out	(74,410)	0	0	0	0	(74,410)
<i>Total Other Financing Sources (Uses)</i>	<u>(62,904)</u>	<u>34,751</u>	<u>0</u>	<u>0</u>	<u>74,410</u>	<u>46,257</u>
<i>Net Change in Fund Balances</i>	<u>(782,254)</u>	<u>(241,033)</u>	<u>12,327</u>	<u>(156,259)</u>	<u>(498,209)</u>	<u>(1,665,428)</u>
<i>Fund Balances Beginning of Year -</i>						
<i>Restated - (See Note 4)</i>	<u>4,390,688</u>	<u>943,756</u>	<u>289,909</u>	<u>2,334,288</u>	<u>3,306,672</u>	<u>11,265,313</u>
<i>Fund Balances End of Year</i>	<u>\$3,608,434</u>	<u>\$702,723</u>	<u>\$302,236</u>	<u>\$2,178,029</u>	<u>\$2,808,463</u>	<u>\$9,599,885</u>

The accompanying notes are an integral part of 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, 2003*

Net Change in Fund Balances - Total Governmental Funds \$ (1,665,428)

***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	\$ 2,965,686	
Depreciation	<u>(1,630,619)</u>	
Excess of Capital Outlay over Depreciation Expense		1,335,067

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

Loss on Disposal of Capital Assets		(48,389)
------------------------------------	--	----------

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

Investment Earnings	52,275	
Property Taxes	2,526	
Municipal Income Tax	27,419	
Payment in Lieu of Taxes	152,266	
Special Assessments	(6,744)	
Estate Taxes	(6,768)	
Charges for Services	200	
Franchise Fees	3,314	
Grants	(378,598)	
State Shared Revenues	<u>679</u>	(153,431)
Total		

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

320

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

Bonds Payable	96,000	
Loans Payable	<u>15,783</u>	111,783

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

Vacation Benefits Payable	(81,488)	
Compensated Absences Payable - Sick Leave	<u>(126,271)</u>	
Total		<u>(207,759)</u>

Change in Net Assets of Governmental Activities **\$ (627,837)**

The accompanying notes are an integral part of 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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Property and Other Taxes	\$489,610	\$489,610	\$484,166	(\$5,444)
Municipal Income Tax	4,546,674	4,546,674	4,557,670	10,996
Charges for Services	169,260	169,260	164,262	(4,998)
Fines, Licenses and Permits	715,362	715,362	720,956	5,594
Intergovernmental	1,038,936	1,038,936	1,383,707	344,771
Investment Earnings	240,000	240,000	230,821	(9,179)
Donations	0	0	0	0
Other	72,965	72,965	31,572	(41,393)
<i>Total Revenues</i>	<u>7,272,807</u>	<u>7,272,807</u>	<u>7,573,154</u>	<u>300,347</u>
Expenditures				
Current:				
General Government	5,496,484	5,836,577	3,484,807	2,351,770
General Government - Court	786,475	826,917	744,796	82,121
Security of Persons and Property:				
Police	2,535,082	2,549,182	2,335,394	213,788
Fire	1,616,085	1,640,983	1,590,517	50,466
Public Health Services	364,797	369,153	366,410	2,743
<i>Total Expenditures</i>	<u>10,798,923</u>	<u>11,222,812</u>	<u>8,521,924</u>	<u>2,700,888</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,526,116)</u>	<u>(3,950,005)</u>	<u>(948,770)</u>	<u>3,001,235</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	7,854	7,854	11,506	3,652
Advances In	0	0	888,961	888,961
Advances Out	0	0	(880,078)	(880,078)
Transfers Out	(30,445)	(74,410)	(74,410)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(22,591)</u>	<u>(66,556)</u>	<u>(54,021)</u>	<u>12,535</u>
<i>Net Change in Fund Balance</i>	(3,548,707)	(4,016,561)	(1,002,791)	3,013,770
<i>Fund Balance Beginning of Year</i>	3,587,142	3,587,142	3,587,142	0
Prior Year Encumbrances Appropriated	339,128	339,128	339,128	0
<i>Fund Balance End of Year</i>	<u>\$377,563</u>	<u>(\$90,291)</u>	<u>\$2,923,479</u>	<u>\$3,013,770</u>

The accompanying notes are an integral part of 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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Municipal Income Tax	\$910,600	\$910,600	\$937,358	\$26,758
Charges for Services	0	0	2,224	2,224
Intergovernmental	602,000	602,000	730,515	128,515
Special Assessments	17,230	17,230	6,744	(10,486)
Investment Earnings	24,000	24,000	18,876	(5,124)
Other	10,000	10,000	4,132	(5,868)
<i>Total Revenues</i>	1,563,830	1,563,830	1,699,849	136,019
Expenditures				
Current:				
Street	2,317,789	2,374,289	2,161,948	212,341
<i>Excess of Revenues Under Expenditures</i>	(753,959)	(810,459)	(462,099)	348,360
Other Financing Sources				
Sale of Capital Assets	0	0	34,751	34,751
<i>Net Change in Fund Balance</i>	(753,959)	(810,459)	(427,348)	383,111
<i>Fund Balance Beginning of Year</i>	632,027	632,027	632,027	0
Prior Year Encumbrances Appropriated	184,624	184,624	184,624	0
<i>Fund Balance End of Year</i>	<u>\$62,692</u>	<u>\$6,192</u>	<u>\$389,303</u>	<u>\$383,111</u>

The accompanying notes are an integral part of 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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Over Under
Revenues				
Intergovernmental	<u>\$2,881,995</u>	<u>\$2,881,995</u>	<u>\$2,267,108</u>	<u>(\$614,887)</u>
Expenditures				
Current:				
Community Environment	1,330,405	1,314,781	1,035,154	279,627
Intergovernmental	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,349,056</u>	<u>150,944</u>
<i>Total Expenditures</i>	<u>2,830,405</u>	<u>2,814,781</u>	<u>2,384,210</u>	<u>430,571</u>
<i>Net Change in Fund Balance</i>	51,590	67,214	(117,102)	(184,316)
<i>Fund Balance Beginning of Year</i>	(194,334)	(194,334)	(194,334)	0
Prior Year Encumbrances Appropriated	<u>227,935</u>	<u>227,935</u>	<u>227,935</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$85,191</u></u>	<u><u>\$100,815</u></u>	<u><u>(\$83,501)</u></u>	<u><u>(\$184,316)</u></u>

The accompanying notes are an integral part of the basic financial statements.

City of Marietta, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2003

	Sewer	Water	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$1,176,437	\$1,041,615	\$2,218,052
Cash and Cash Equivalents in Segregated Accounts	56,989	74,666	131,655
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	410	410
Accounts Receivable	461,223	462,883	924,106
Due from Other Governments	926	0	926
Materials and Supplies Inventory	5,495	50,078	55,573
Restricted Assets:			
Customer Deposits	23,088	24,029	47,117
Cash with Fiscal and Escrow Agents	0	33,746	33,746
Cash in Segregated Accounts	206	214	420
Investments	49,000	51,000	100,000
Prepaid Items	31,571	39,258	70,829
Total Current Assets	1,804,935	1,777,899	3,582,834
Noncurrent:			
Deferred Charges	15,835	172,557	188,392
Non-Depreciable Capital Assets	67,312	1,429,248	1,496,560
Depreciable Capital Assets, Net	8,431,031	6,391,750	14,822,781
Total Noncurrent Assets	8,514,178	7,993,555	16,507,733
Total Assets	10,319,113	9,771,454	20,090,567
Liabilities			
Current:			
Accounts Payable	21,471	26,006	47,477
Contracts Payable	34,034	100,298	134,332
Accrued Wages Payable	28,504	28,427	56,931
Retainage Payable	2,530	50,750	53,280
Interfund Payable	1,730	8,434	10,164
Vacation Benefits Payable	52,626	58,596	111,222
Due to Other Governments	41,252	37,901	79,153
Accrued Interest Payable	2,000	15,994	17,994
Compensated Absences Payable	2,679	2,679	5,358
Refunding Bonds Payable	140,000	181,254	321,254
Issue II Loans Payable	9,813	10,000	19,813
Loans Payable	7,903	0	7,903
Total Current Liabilities	344,542	520,339	864,881
Current Liabilities Payable from Restricted Assets:			
Refunding Bonds Payable	0	33,746	33,746
Customer Deposits Payable	72,294	75,243	147,537
Total Current Liabilities Payable from Restricted Assets	72,294	108,989	181,283
Long-Term:			
Compensated Absences Payable	73,272	119,440	192,712
Refunding Bonds Payable	421,753	4,895,751	5,317,504
Issue II Loans Payable	412,919	498,162	911,081
OWDA Loans Payable	442,782	0	442,782
Total Long-Term Liabilities	1,350,726	5,513,353	6,864,079
Total Liabilities	1,767,562	6,142,681	7,910,243
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,079,008	2,374,642	9,453,650
Restricted for Debt Service	0	33,746	33,746
Unrestricted	1,472,543	1,220,385	2,692,928
Total Net Assets	\$8,551,551	\$3,628,773	\$12,180,324

The accompanying notes are an integral part of 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, 2003*

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$1,916,360	\$2,004,341	\$3,920,701
Charges Pledged as Security for Revenue Bonds	164,000	402,008	566,008
Other Operating Revenues	16,879	7,565	24,444
<i>Total Operating Revenues</i>	<u>2,097,239</u>	<u>2,413,914</u>	<u>4,511,153</u>
Operating Expenses			
Salaries and Wages	701,434	740,214	1,441,648
Fringe Benefits	292,926	325,350	618,276
Contractual Services	621,551	341,976	963,527
Materials and Supplies	133,911	279,570	413,481
Other Operating Expenses	13,171	11,500	24,671
Depreciation	546,418	821,877	1,368,295
<i>Total Operating Expenses</i>	<u>2,309,411</u>	<u>2,520,487</u>	<u>4,829,898</u>
<i>Operating Loss</i>	<u>(212,172)</u>	<u>(106,573)</u>	<u>(318,745)</u>
Non Operating Revenues (Expenses)			
Investment Earnings	0	4,705	4,705
Gain on Disposal of Capital Assets	2,000	0	2,000
Payment to Refunded Bond Escrow Agent - City Contribution	0	(468,342)	(468,342)
Interest and Fiscal Charges	(59,172)	(175,916)	(235,088)
<i>Total Non Operating Revenues (Expenses)</i>	<u>(57,172)</u>	<u>(639,553)</u>	<u>(696,725)</u>
Loss before Contributions	(269,344)	(746,126)	(1,015,470)
Capital Contributions	259,320	400,000	659,320
<i>Change in Net Assets</i>	(10,024)	(346,126)	(356,150)
<i>Net Assets Beginning of Year - Restated (See Note 4)</i>	<u>8,561,575</u>	<u>3,974,899</u>	<u>12,536,474</u>
<i>Net Assets End of Year</i>	<u><u>\$8,551,551</u></u>	<u><u>\$3,628,773</u></u>	<u><u>\$12,180,324</u></u>

The accompanying notes are an integral part of the basic financial statements.

City of Marietta, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2003

	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,070,912	\$2,402,522	\$4,473,434
Cash Payments for Employee Services and Benefits	(1,006,462)	(1,063,692)	(2,070,154)
Cash Payments to Suppliers for Goods and Services	(814,227)	(625,156)	(1,439,383)
Other Operating Revenues	15,953	7,435	23,388
Other Operating Expenses	(13,171)	(11,500)	(24,671)
Customer Deposits Received	19,380	20,170	39,550
Customer Deposits Returned	(15,163)	(15,782)	(30,945)
<i>Net Cash Provided by Operating Activities</i>	<u>257,222</u>	<u>713,997</u>	<u>971,219</u>
Cash Flows from Noncapital Financing Activities:			
Advances In	218,433	522,626	741,059
Advance Out	(256,987)	(514,192)	(771,179)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(38,554)</u>	<u>8,434</u>	<u>(30,120)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(721,216)	(998,053)	(1,719,269)
Loans Received	351,403	228,162	579,565
Principal Paid on Debt	(162,088)	(270,000)	(432,088)
Interest Paid on Debt	(47,010)	(144,005)	(191,015)
Capital Contributions	367,672	400,000	767,672
Proceeds from Sale of Capital Assets	2,000	0	2,000
Bond Issuance Costs	0	(177,487)	(177,487)
Proceeds of Refunding Bonds	0	5,640,495	5,640,495
Payment to Refunded Bond Escrow Agent	0	(5,931,350)	(5,931,350)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(209,239)</u>	<u>(1,252,238)</u>	<u>(1,461,477)</u>
Cash Flows from Investing Activities:			
Investment Earnings	0	4,705	4,705
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	9,429	(525,102)	(515,673)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,247,291</u>	<u>1,699,782</u>	<u>2,947,073</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,256,720</u>	<u>\$1,174,680</u>	<u>\$2,431,400</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
<i>Operating Loss</i>	(\$212,172)	(\$106,573)	(\$318,745)
Adjustments:			
Depreciation	546,418	821,877	1,368,295
(Increase)/Decrease in Assets:			
Accounts Receivable	(9,448)	(3,957)	(13,405)
Due from Other Governments	(926)	0	(926)
Materials and Supplies Inventory	3,960	1,565	5,525
Prepaid Items	(6,857)	(8,123)	(14,980)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(76,070)	2,948	(73,122)
Contracts Payable	20,202	0	20,202
Accrued Wages Payable	5,266	(185)	5,081
Compensated Absences Payable	(9,175)	7,662	(1,513)
Customer Deposits	4,217	4,388	8,605
Vacation Benefits Payable	(1,228)	1,820	592
Due to Other Governments	(6,965)	(7,425)	(14,390)
<i>Net Cash Provided by Operating Activities</i>	<u>\$257,222</u>	<u>\$713,997</u>	<u>\$971,219</u>

The accompanying notes are an integral part of the basic financial statements.

City of Marietta, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity Pooled in Cash and Cash Equivalents	\$745,060
Cash and Cash Equivalents in Segregated Accounts	81,958
Taxes Receivable	13,022
Accounts Receivable	599,967

Total Assets \$1,440,007

Liabilities

Due to Other Governments	\$60,162
Due to Others	1,379,845

Total Liabilities \$1,440,007

The accompanying notes are an integral part of the basic financial statements.

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Report Entity

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

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

The following have been excluded from the financial reporting entity:

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

The City participates in the Buckeye Hills-Hocking Valley Regional Development District, the Community Action Program Corporation of Washington-Morgan Counties, Ohio, and the Wood, Washington, and Wirt Planning Commission, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

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 proprietary funds provided they do not 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 monies held for employees from insurance demutualization, bed taxes collected for the Tourist and Convention Bureau, payroll activity, and municipal court collections that are distributed to various local governments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. The investments for the Cemetery Trust Fund are not included in the pool and 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 2003, 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 Smith Trust Special Revenue Funds, and the Cemetery Trust Permanent Fund. Interest revenue credited to the General Fund during 2003 amounted to \$291,126, which includes \$243,759 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.

The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the financial statements as "Cash and Cash Equivalents with Fiscal and Escrow Agents" and represent deposits or short-term investments in certificates of deposit.

The City utilizes a trustee bank to hold monies set aside for current and future debt service payments under provisions of the bond indenture. The balances in these accounts are presented in the statement of fund net assets as "Restricted Assets: Cash and Cash Equivalents with Fiscal and Escrow Agents". Amounts invested by the trustee bank for the Water Enterprise Fund are limited to treasury bills and are reported at fair value which is based on quoted market prices.

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. 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
December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

I. 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 in the enterprise funds represent cash with fiscal and escrow agents legally restricted as part of the bond indenture for current and future debt service payments. All other restricted asset accounts represent customer deposits.

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 proprietary 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. Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	40 - 50 years	40 - 50 years
Machinery and Equipment	10 - 15 years	10 - 15 years
Vehicles	3 - 5 years	3 - 5 years
Infrastructure	10 - 25 years	10 - 50 years

The City's infrastructure consists of City streets, street signs, decorative lights, traffic signals, and water and sewer systems.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, endowments, loans, and unclaimed monies.

N. Net Assets

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

O. Operating Revenues and Expenses

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

P. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Interfund Activity

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

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

R. Interfund Assets and Liabilities

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

S. Bond Discount/Issuance Costs and Accounting Gains

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

T. Estimates

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Community Development</u>
GAAP Basis	(\$782,254)	(\$241,033)	\$12,327
Net Adjustment for Revenue Accruals	254,328	17,467	(7,694)
Beginning of Year:			
Unrecorded Cash	870	0	0
Unrecorded Interest	5,527	424	0
Prepaid Items	85,737	6,913	396
Segregated Accounts	77	0	0
End of Year:			
Unrecorded Interest	(116,460)	(6,807)	0
Prepaid Items	(103,435)	(8,615)	(478)
Segregated Accounts	(34,977)	0	0
Net Adjustment for Expenditure Accruals	77,416	(8,182)	10,940
Advances In	888,961	0	0
Advances Out	(880,078)	0	0
Encumbrances	(398,503)	(187,515)	(132,593)
Budget Basis	<u>(\$1,002,791)</u>	<u>(\$427,348)</u>	<u>(\$117,102)</u>

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

Changes in Accounting Principles For the year ended December 31, 2003, the City has implemented GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB No. 38, “Certain Financial Statement Note Disclosures,” GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences,” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At December 31, 2002, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type activities and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the county not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of this statement did not have any effect on the presentation of City’s budgetary financial statements for 2003.

Restatement of Fund Balances During 2003, there were also restatements of fund equity for corrections of prior year accrual balances related to income tax receivables and the reclassification of funds. These restatements and the implementation of Interpretation No. 6 had the following effect on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

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

	<u>General</u>	<u>Street</u>	<u>Community Development</u>	<u>Capital Improvement</u>
Fund Balances December 31, 2002	\$4,215,344	\$898,207	\$289,909	\$2,316,415
Fund Reclassification	0	0	0	0
Interpretation 6	18,614	401	0	0
Income Tax Receivable Restatement	<u>156,730</u>	<u>45,148</u>	<u>0</u>	<u>17,873</u>
Restated Fund Balances, December 31, 2002	<u><u>\$4,390,688</u></u>	<u><u>\$943,756</u></u>	<u><u>\$289,909</u></u>	<u><u>\$2,334,288</u></u>

The transition from governmental fund balance to net assets of the governmental activities continued:

	<u>Other Governmental Funds</u>	<u>Totals</u>
Fund Balances December 31, 2002	\$3,197,715	\$10,917,590
Fund Reclassification	1,000	1,000
Interpretation 6	3,026	22,041
Income Tax Receivable Restatement	<u>104,931</u>	<u>324,682</u>
Restated Fund Balances, December 31, 2002	<u><u>\$3,306,672</u></u>	11,265,313
GASB 34 Adjustments:		
Capital Assets		16,144,894
Long-term Liabilities		(560,934)
Accrued Interest Payable		(1,427)
Long-Term (Deferred) Assets		1,494,273
Vacation Benefits Payable		(420,646)
Compensated Absences Payable		<u>(438,414)</u>
Governmental Activities Net Assets, December 31, 2002		<u><u>\$27,483,059</u></u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

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

The transition from proprietary fund equity to net assets of the business-type activities is as follows:

	Sewer	Water	Total Business-Type Activities
Fund Equity, December 31, 2002	\$8,371,044	\$4,235,502	\$12,606,546
Capital Assets Restatement, Net	203,679	(244,342)	(40,663)
Compensated Absences Payable	(13,148)	(16,261)	(29,409)
Adjusted Net Assets December 31, 2002	\$8,561,575	\$3,974,899	\$12,536,474

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of December 31, 2003:

	Deficit Fund Balance
<u>Capital Projects Funds:</u>	
Marietta Harbor	\$7,894
State Route 7 Access Road	5,543

The deficits are the result of the recognition of payables in accordance with GAAP. The General Fund provides transfers to cover deficit balances in the special revenue and capital projects funds; however, this is done when cash is needed rather than when accruals occur.

B. Statutory Compliance

The following funds had final appropriations in excess of final estimated resources plus beginning available balances for the year ended December 31, 2003:

Fund Type and Fund	Estimated Resources	Appropriations	Excess
General Fund	\$10,867,823	\$10,958,094	\$90,271
<u>Special Revenue Funds:</u>			
Permissive Tax	74,459	125,000	50,541
CopsFast	41,000	44,626	3,626
Comm Corrections	165,506	220,834	55,328
Intermodal Hub Study	(1,902)	0	1,902
Police Pension	76,744	82,468	5,724
Fire Pension	81,022	86,742	5,720
<u>Enterprise Funds:</u>			
Grit Removal Facility	(675,495)	15,869	691,364

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE (Continued)

The following funds had actual expenditures in excess of appropriations for the year ended December 31, 2003:

Fund Type and Fund	Appropriations	Expenditures	Excess
Capital Projects Funds:			
Marietta Harbor	\$ 181,636	\$ 295,248	\$ 113,612
Enterprise Funds:			
Water Construction	611,275	794,766	183,491
Glendale Storage Tank	1,005,142	1,394,290	389,148
Grit Removal Facility	710,642	961,682	251,040

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is not default of principal, interest or coupons; and,
3. Obligations of the City.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Unreported Cash. At year end, the City had \$2,544 in cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents".

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Deposits. At year end, the carrying amount of the City's deposits was \$12,479,626 and the bank balance was \$21,932,419. Of the bank balance:

1. \$606,955 was covered by federal depository insurance;
2. \$21,325,464 was uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$10,887,376	\$1,594,794
Cash on Hand	(2,544)	0
Investments:		
Certificates of Deposit	1,594,794	(1,594,794)
GASB Statement 3	\$12,479,626	\$0

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for all property except inventory, which has a rate of 23 percent.

The full tax rate for all City operations for the year ended December 31, 2003, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$186,653,920
Public Utility Property	5,700,580
Tangible Personal Property	30,257,230
	<u>\$222,611,730</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Marietta. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2003, 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 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 8 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, interfund, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$130,392. 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 \$121,016.

A summary of the principal items of due from other governments receivable follows:

Governmental Activities:	<u>Amount</u>
Local Government	\$317,995
Estate Tax	53,422
Homestead and Rollback	27,953
Public Utility Reimbursements	1,606
Tax Reimbursements	5,012
Health Subsidy	4,200
Immobilization Fees	800
Community Development Block Grant	366,746
Housing Urban Development	365,302
Gasoline Tax and Motor Vehicle License	336,794
Community Corrections Grant	72,442
Victims Information Program	17,323
Cops Fast	10,502
Domestic Violence	5,834
Indigent Alcohol	6,263
Immunizations	7,098
Children with Medical Handicaps Reimbursements	1,920
Ohio Department of Natural Resources	16,206
Drug Court Grant	5,645
Welfare Reimbursements	<u>1,840</u>
Total Governmental Activities	<u>1,624,903</u>
 Business-Type Activities:	
Bureau of Workers' Compensation	<u>926</u>
Total	<u><u>\$1,625,829</u></u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 9 - INCOME TAX

The City levies a municipal income tax of 1.7 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to funds in the following manner: 67% to the General Fund, 13% to the Street Special Revenue Fund, 11% to the Fire Levy Special Revenue Fund, 2% to the Cemetery Special Revenue Fund, 2% to the Recreation Special Revenue Fund, and 5% to the Capital Improvement Capital Projects Fund.

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	<u>Balance</u> <u>12/31/02</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/03</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,033,884	\$0	\$0	\$1,033,884
Construction in Progress	293,024	824,929	166,963	950,990
Total Capital Assets not being Depreciated	<u>1,326,908</u>	<u>824,929</u>	<u>166,963</u>	<u>1,984,874</u>
Capital Assets being Depreciated:				
Buildings and Improvements	4,392,686	342,953	0	4,735,639
Machinery and Equipment	3,725,186	224,464	87,259	3,862,391
Vehicles	2,741,802	472,706	103,136	3,111,372
Infrastructure	23,965,828	1,267,597	0	25,233,425
Total Capital Assets being Depreciated	<u>34,825,502</u>	<u>2,307,720</u>	<u>190,395</u>	<u>36,942,827</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,160,955)	(129,890)	0	(2,290,845)
Machinery and Equipment	(2,445,111)	(241,639)	(48,720)	(2,638,030)
Vehicles	(1,511,625)	(292,408)	(93,286)	(1,710,747)
Infrastructure	(13,889,825)	(966,682)	0	(14,856,507)
Total Accumulated Depreciation	<u>(20,007,516)</u>	<u>(1,630,619) *</u>	<u>(142,006)</u>	<u>(21,496,129)</u>
Total Capital Assets being Depreciated, Net	<u>14,817,986</u>	<u>677,101</u>	<u>48,389</u>	<u>15,446,698</u>
Governmental Activities Capital Assets, Net	<u>\$16,144,894</u>	<u>\$1,502,030</u>	<u>\$215,352</u>	<u>\$17,431,572</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 10 – CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental programs as follows:

General Government	\$71,065
General Government - Court	59,573
Security of Persons and Property:	
Police	113,135
Fire	190,969
Public Health Services	26,222
Street	1,081,004
Transportation	34
Leisure Time Activities	84,650
Community Environment	3,967
Total Depreciation Expense	<u>\$1,630,619</u>

	Balance 12/31/02	Increases	Decreases	Balance 12/31/03
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$447,100	\$0	\$0	\$447,100
Construction in Progress	491,881	1,671,098	1,113,519	1,049,460
Total Capital Assets not being Depreciated	938,981	1,671,098	1,113,519	1,496,560
Capital Assets being Depreciated:				
Buildings and Improvements	561,712	616	0	562,328
Machinery and Equipment	8,491,329	171,705	0	8,663,034
Vehicles	673,642	159,004	16,967	815,679
Infrastructure	44,968,598	899,253	0	45,867,851
Total Capital Assets being Depreciated	54,695,281	1,230,578	16,967	55,908,892
Less Accumulated Depreciation:				
Buildings and Improvements	(392,117)	(9,080)	0	(401,197)
Machinery and Equipment	(5,492,178)	(606,117)	0	(6,098,295)
Vehicles	(465,696)	(87,768)	(16,967)	(536,497)
Infrastructure	(33,384,792)	(665,330)	0	(34,050,122)
Total Accumulated Depreciation	(39,734,783)	(1,368,295)	(16,967)	(41,086,111)
Total Capital Assets being Depreciated, Net	14,960,498	(137,717)	0	14,822,781
Business-Type Activities Capital Assets, Net	\$15,899,479	\$1,533,381	\$1,113,519	\$16,319,341

NOTE 11 - RISK MANAGEMENT

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 11 - RISK MANAGEMENT (Continued)

<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real Property	\$54,726,395	\$5,000	
Boiler and Machinery	2,000,000	1,000	
Personal Property	6,053,943	5,000	
<u>Liability</u>	<u>Limit (Per Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$2,000,000	\$2,000,000	\$1,000
Medical Professional	2,000,000	2,000,000	2,500
Employee Benefits	2,000,000	6,000,000	1,000
Employer Liability	2,000,000	2,000,000	0
Firemen's Errors and Omissions	2,000,000	2,000,000	1,000
Pubic Officials Wrongful Acts	2,000,000	2,000,000	5,000
Law Enforcement	2,000,000	2,000,000	5,000
Employment Practices	2,000,000	2,000,000	10,000
Umbrella	4,000,000	4,000,000	10,000

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

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

For 2003, the City participated in the Ohio Municipal League of Ohio Worker's Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower worker's compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its worker's compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001, were \$380,832, \$348,986, and \$421,832 respectively; 93.1 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$5,843 made by the City and \$3,665 made by the plan members.

B. Police and Firemen's Disability and Pension Fund

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were for the years ended December 31, 2003, 2002, and 2001, were \$160,021 and \$247,642 for the year ended December 31, 2003, \$157,473 and \$234,192 for the year ended December 31, 2002, and \$152,473 and \$234,192 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 72.7 percent has been contributed for 2003 with the remainder being reported as a liability.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$226,125. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$105,546 for police and \$118,106 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Additional Insurance

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

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

The City provides comprehensive major medical insurance under three plans through Anthem Blue Cross and Blue Shield. The first plan has \$100 single and \$200 family deductible limits and 20% employee copayments for the next \$1,000 single and \$2,000 family in eligible claims. The City pays \$643.77 of the total monthly premium of \$927.97 for family coverage and \$214.26 of the total monthly premium of \$309.11 for single coverage. The second plan is a Preferred Provider plan. Deductibles and copayments for "in-network" services are the same as described in the first plan. The City pays \$642.91 of the total monthly premium of \$730.58 for family coverage and \$214.22 of the total monthly premium of \$243.48 for single coverage. The third plan is a point-of-service plan. Deductible and copayments for "in-network" services are the same as described in the first plan. The City pays \$642.91 of the total monthly premium of \$699.81 for family coverage and \$214.26 of the total monthly premium of \$233.08 for single coverage. Premiums are paid from the same funds that pay the employees' salaries.

C. Compensated Absences

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

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2003, the City had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

<u>Projects:</u>	<u>Purchase Commitments</u>	<u>Amount Expended</u>	<u>Amount Remaining on Contracts</u>
<u>General Fund:</u>			
Marietta Aquatic Center	\$438,900	\$217,922	\$220,978
Buckeye Park Access Road Reconstruction	10,597	2,358	8,239
Total General Fund	<u>449,497</u>	<u>220,280</u>	<u>229,217</u>
<u>Special Revenue Funds:</u>			
<u>Community Development Fund:</u>			
Pennsylvania Avenue	17,400	12,200	5,200
Buckeye Park Access Road Reconstruction	46,350	40,218	6,132
2003 ADA Corridor Project	14,872	0	14,872
Gilman Avenue 100 Block Lighting Project	62,446	24,745	37,701
<u>Smith Trust Fund:</u>			
Marietta Aquatic Center	1,326,314	169,114	1,157,200
Walking/Bike Path	129,802	128,993	809
<u>Street Fund:</u>			
State Route 7 Access Road	63,860	12,190	51,670
Brick Streets Repairs	48,023	1,895	46,128
State Route 7 Traffic Improvements	185,523	177,085	8,438
Putam and 7th Street Traffic Signal	5,600	5,443	157
Gilman Avenue 100 Block Lighting Project	8,323	1,262	7,061
Total Special Revenue Funds	<u>1,908,513</u>	<u>573,145</u>	<u>1,335,368</u>
<u>Capital Project Funds:</u>			
<u>Capital Improvement Fund:</u>			
Marietta Aquatic Center	1,500,982	97,995	1,402,987
<u>State Route 7 Access Road Fund:</u>			
State Route 7 Access Road	21,560	5,543	16,017
Total Capital Project Funds	<u>1,522,542</u>	<u>103,538</u>	<u>1,419,004</u>
<u>Enterprise Funds:</u>			
<u>Sewer Fund:</u>			
Wastewater Treatment Plant Facilities Master Plan	49,800	20,202	29,598
<u>Water Fund:</u>			
Glendale Water Storage Tank	1,239,180	1,043,128	196,052
Total Enterprise Funds	<u>1,288,980</u>	<u>1,063,330</u>	<u>225,650</u>
Total All Funds	<u>\$5,169,532</u>	<u>\$1,960,293</u>	<u>\$3,209,239</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2003, were as follows:

	Principal Outstanding 12/31/02	Additions	Deletions	Principal Outstanding 12/31/03	Amounts Due in One Year
Governmental Activities:					
Pension Bonds					
1999 - \$500,000 @ 3.75% - 4.0%	\$180,000	\$0	\$90,000	\$90,000	\$90,000
Parking Lot Bonds					
2000 - \$190,000 @ 5.73%	179,000	0	6,000	173,000	6,500
Total Bonds	<u>359,000</u>	<u>0</u>	<u>96,000</u>	<u>263,000</u>	<u>96,500</u>
Third Street Paving OPWC Loan					
1999 - \$254,765 @ 2%	201,934	0	15,783	186,151	8,010
Compensated Absences - Sick	438,414	188,470	62,199	564,685	42,660
Total Governmental Activities	<u>\$999,348</u>	<u>\$188,470</u>	<u>\$173,982</u>	<u>\$1,013,836</u>	<u>\$147,170</u>
Business-Type Activities:					
<u>Bonds:</u>					
Sewer Refunding Bonds					
1999 - \$1,215,000 @ 3.2 - 4%	\$735,000	\$0	\$135,000	\$600,000	\$140,000
Unamortized Accounting Gain	(47,159)	0	(8,912)	(38,247)	0
Total Sewer Refund Bonds	<u>687,841</u>	<u>0</u>	<u>126,088</u>	<u>561,753</u>	<u>140,000</u>
Water Revenue Bonds					
1996 - \$5,990,000 @ 4.15 - 5.95%	5,175,000	0	5,175,000	0	0
Unamortized Bond Discount	(8,382)	0	(8,382)	0	0
Total Water Revenue Bonds	<u>5,166,618</u>	<u>0</u>	<u>5,166,618</u>	<u>0</u>	<u>0</u>
Water Refunding Bonds					
2003 - \$5,650,000 @ 2.0 - 4.3%	0	5,650,000	250,000	5,400,000	215,000
Bond Discount	0	(9,505)	(264)	(9,241)	0
Accounting Gain	0	(288,008)	(8,000)	(280,008)	0
Total Water Refunding Bonds	<u>0</u>	<u>5,352,487</u>	<u>241,736</u>	<u>5,110,751</u>	<u>215,000</u>
Total Bonds	<u>5,854,459</u>	<u>5,352,487</u>	<u>5,534,442</u>	<u>5,672,504</u>	<u>355,000</u>
<u>Loans:</u>					
Sewer OWDA Loan					
2002 - \$458,437 @ 3.89%	107,034	351,403	7,752	450,685	7,903
Water OPWC Loan					
1996 - \$400,000 @ 0%	300,000	0	20,000	280,000	10,000
Water Glendale Tank OPWC Loan					
2004 - \$605,143 @ 2%	0	228,162	0	228,162	0
Sewer OPWC Loan					
2000 - \$461,023 @ 2%	442,068	0	19,336	422,732	9,813
Total Loans	<u>849,102</u>	<u>579,565</u>	<u>47,088</u>	<u>1,381,579</u>	<u>27,716</u>
Compensated Absences - Sick Leave	199,583	53,112	54,625	198,070	5,358
Total Business-Type Activities	<u>\$6,903,144</u>	<u>\$5,985,164</u>	<u>\$5,636,155</u>	<u>\$7,252,153</u>	<u>\$388,074</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

The pension and parking lot bonds will be paid from general property tax revenues. The paving OPWC Loan was issued to finance paving on Third Street in the City. The loan will be paid from intergovernmental revenue of the Street Special Revenue Fund. Enterprise fund obligations will be paid from user fees in the respective enterprise funds. The Ohio Public Works Commission (OPWC) loans in the Water Enterprise Fund were issued to help finance the water treatment plant phase III improvements and the Glendale tank storage replacement. The OPWC loan in the Sewer Enterprise Fund was issued to help finance the sludge belt press project. The Ohio Water Development Authority (OWDA) loan was issued to help finance the sewer grit removal project. All draws from the Water Glendale Tank OPWC loan have not yet been made; therefore, no amortization schedule has been established. Compensated absences reported in the "compensated absences payable" account will be paid from the fund which the employees' salaries are paid, which are the General Fund; the Community Development, Marietta Housing, Street, Parking, and Fire Levy Special Revenue Funds; and the Water and Sewer Enterprise Funds.

On April 15, 1999, the City issued \$1,215,000 in sewer system refunding bonds where were used to retire the 1988 sewer system general obligation bonds of \$425,000 and the 1988 sewer mortgage revenue bonds of \$1,150,000.

On March 1, 2003, the City issued \$5,650,000, of water system revenue refunding bonds which were used to refund the 1996 water revenue bonds in the amount of \$5,175,000. The revenue bonds were sold at a discount of \$9,505 that will be amortized over the life of the bonds using the straight-line method. Issuance costs associated with the bond issue in the amount of \$177,487 are deferred and will be 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. As a result, \$5,175,000 of refunded bonds is considered defeased and the liability is removed from the statement of net assets.

The refunding resulted in an advance refunding of the 1996 water revenue bonds. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$288,008. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense through the year 2021 using the straight-line method. The amount amortized for 2003 is \$8,000. The City completed its advance refunding to reduce its total debt service requirements over the next 18 years by \$798,400 in order to obtain an economic gain of \$357,760.

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the governmental activities bonds outstanding at December 31, 2003, are as follows:

Year	Pension Bonds		Parking Lot Bonds	
	Principal	Interest	Principal	Interest
2004	\$90,000	\$3,600	\$6,500	\$9,912
2005	0	0	6,500	9,540
2006	0	0	7,000	9,168
2007	0	0	7,500	8,766
2008	0	0	8,000	8,338
2009-2013	0	0	46,000	34,406
2014-2018	0	0	61,500	19,538
2019-2020	0	0	30,000	2,608
	<u>\$90,000</u>	<u>\$3,600</u>	<u>\$173,000</u>	<u>\$102,276</u>

Principal and interest requirements to retire the Third Street OPWC Loan liability at December 31, 2003, are as follows:

Year	Principal	Interest
2004	\$8,010	\$1,862
2005	16,261	3,481
2006	16,588	3,155
2007	16,922	2,822
2008	17,262	2,482
2009-2013	91,657	7,060
2014	19,451	293
	<u>\$186,151</u>	<u>\$21,155</u>

Principal and interest requirements to retire the business-type activities bonds outstanding at December 31, 2003, are as follows:

Year	Sewer Refunding Bonds		Water Refunding Bonds	
	Principal	Interest	Principal	Interest
2004	\$140,000	\$24,000	\$215,000	\$187,008
2005	145,000	18,400	235,000	182,708
2006	155,000	12,600	245,000	178,008
2007	160,000	6,400	250,000	173,108
2008	0	0	255,000	167,732
2009-2013	0	0	1,385,000	721,252
2014-2018	0	0	1,655,000	451,323
2019-2021	0	0	1,160,000	100,511
	<u>\$600,000</u>	<u>\$61,400</u>	<u>\$5,400,000</u>	<u>\$2,161,650</u>

City of Marietta, Ohio
Notes to the Basic Financial Statements
December 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the business-type activities loan liabilities at December 31, 2003, are as follows:

Year	OPWC Loans			OWDA Loan	
	Sewer		Water	Sewer	
	Principal	Interest	Principal	Principal	Interest
2004	\$9,813	\$4,227	\$10,000	\$7,903	\$8,849
2005	19,923	8,159	20,000	16,115	17,069
2006	20,323	7,759	20,000	16,748	16,436
2007	20,731	7,351	20,000	17,406	15,778
2008	21,148	6,934	20,000	18,089	15,094
2009-2013	112,289	28,121	100,000	101,678	64,241
2014-2018	124,036	16,372	90,000	123,279	42,640
2019-2022	94,469	3,818	0	149,467	16,451
	<u>\$422,732</u>	<u>\$82,741</u>	<u>\$280,000</u>	<u>\$450,685</u>	<u>\$196,558</u>

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$22,925,081. Pursuant to State statute, economic development revenue bonds were issued for \$2,820,000 in 1997 for Marietta College. The amount outstanding as of December 31, 2003, is \$1,900,000. The proceeds of the bonds are used by the College for energy management equipment. The bonds are to be repaid by the College and do not represent an obligation of the City.

NOTE 17 - INTERFUND TRANSFERS AND BALANCES

Transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them. The transfers made by the City in 2003 from the General Fund to the Law Director's and Court Special Revenue Funds for \$31,400 and \$43,010, respectively, represented the City's required local share for grant funding.

Interfund balances at December 31, 2003, consisted of the following for services provided by the General Fund:

	Receivables
	Major Fund
Payables	General
Community Development	
Major Fund	\$1,338
Other Nonmajor	
Governmental Funds	23,096
Water Enterprise Fund	8,434
Sewer Enterprise Fund	1,730
Total All Funds	<u>\$34,598</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. The Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one member from the City of Marietta and 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 2003. 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/Certificate Program and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is comprised of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties provides administrative services to these governments in specific programs. During 2003, the Corporation did not receive any administrative fees from the City. These fees were received by the Corporation directly from the granting agencies. The continued existence of the Corporation is not dependent on the City's continued participation and no equity interest exists.

C. The Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is comprised of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and the Mayor of the City of Marietta serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. During 2003, the City of Marietta contributed \$4,746. The continued existence of the Commission is not dependent on the City's continued participation and no equity interest exists.

NOTE 19 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2003.

B. Litigation

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

NOTE 20 - SUBSEQUENT EVENT

In December of 2003, the City obtained approval for a State Infrastructure Loan to finance the widening of State Route 7 from Cogswell Lane to County House Lane. As collateral for the loan, the State Infrastructure Bank has received an assignment of all use payments from the City of Marietta and an assignment of Tax Increment Financing from RLG Marietta, Ltd., GCG Marietta, Ltd., and RGP Marietta, Ltd. As of the issuance of these financial statements, no money has been forwarded.

On June 22, 2004, the City issued capital facilities notes for \$1,000,000 for the purpose of paying the costs of improving State Route 7.

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant/ Pass-Through Entity Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Award			
Community Development Block Grant - Entitlement Program	14.218		\$ 493,911
HOME Investment Partnerships Program	14.239		470,006
Section 8 Housing Choice Vouchers	14.871		1,349,056
Total U.S. Department of Housing and Urban Development			<u>2,312,973</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Award			
Public Safety Partnership and Community Policing Grants	16.710		45,400
Passed through the Ohio Attorney General's Office			
Crime Victim Assistance Grant	16.575	2003VAGENE329 2004VAGENE329	19,535 <u>7,377</u>
Total Crime Victims Assistance			26,912
Passed through the Governor's Office of Criminal Justice Services			
Violence Against Women Formula Grant	16.588	2001-WF-VA2-8424	5,834
Byrne Memorial Grant	16.579	2002-DG-F01-7392	77,297
Total U.S. Department of Justice			<u>155,443</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Ohio Department of Health			
Immunization Grants	93.268	84-2-001-2-AZ-03	<u>19,544</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$ 2,487,960</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF MARIETTA
WASHINGTON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

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

NOTE C – MATCHING REQUIREMENTS

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

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2003, the net amount of loans outstanding under this program was \$130,392.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 4, 2004

Mayor and Members of Council
City of Marietta
Marietta, OH 45750

Independent Auditor's Report Internal Control Over Financial Reporting and Compliance Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Ohio (the "City") as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 4, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in separate letter dated November 4, 2004.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated November 4, 2004.

This report is intended for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 4, 2004

Mayor and Members of Council
City of Marietta
Marietta, OH 45750

Independent Auditor's Report on Compliance
with Requirements Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the City of Marietta, 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 are applicable to each of its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 2003-003 and 2003-005 in the accompanying schedule of findings and questioned costs, the City of Marietta did not comply with requirements regarding program income and planning and administration expenses in the CDBG Entitlement Grant Program. Compliance with such requirements is necessary, in our opinion, for the City of Marietta to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-004 concerning the CDBG Entitlement Grant Program.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the matter described in the preceding paragraph involving the internal control over compliance and its operation is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Marietta as of and for the year ended December 31, 2003, and have issued our report thereon dated November 4, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
--

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Qualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	Yes
(d) (1) (vii)	Major Programs (list):	CDBG Entitlement Program Grant CFDA # 14.218 HOME (CHIP) Grant CFDA # 14.239
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER	2003 – 001
----------------	------------

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimated or amended official estimate.

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

At December 31, 2003, appropriations exceeded estimated revenues plus beginning unencumbered cash fund balance for the following funds.

Fund Type and Fund	Estimated Resources	Appropriations	Excess
General Fund	\$10,867,823	\$10,958,094	\$90,271
<u>Special Revenue Funds:</u>			
Permissive Tax	74,459	125,000	50,541
CopsFast	41,000	44,626	3,626
Comm Corrections	165,506	220,834	55,328
Intermodal Hub Study	(1,902)	0	1,902
Police Pension	76,744	82,468	5,724
Fire Pension	81,022	86,742	5,720
<u>Enterprise Funds:</u>			
Grit Removal Facility	(675,495)	15,869	691,364

We recommend the City Auditor review budgeted resources and appropriations periodically to monitor that the appropriations do not exceed estimated resources.

Managements Response:

City management plans to respond in the near future.

FINDING NUMBER	2003 – 002
----------------	------------

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2003, expenditures exceeded appropriations for the following funds.

<u>Fund Type and Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Capital Projects Funds:</u>			
Marietta Harbor	181,636	295,248	113,612
<u>Enterprise Funds:</u>			
Water Construction	611,275	794,766	183,491
Glendale Storage Tank	1,005,142	1,394,290	389,148
Grit Removal Facility	710,642	961,682	251,040

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

We recommend the City Auditor review budgeted appropriations and expenditures periodically to ensure the expenditures do not exceed appropriations.

Managements Response:

City management plans to respond in the near future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

FINDING NUMBER	2003 – 003
----------------	------------

Program Information:

CFDA #14.218 – CDBG Entitlement Program Grant
U.S. Department Of Housing And Urban Development

Criteria:

24 CFR section 570.504 states substantially all program income shall be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury. The grantee must accurately account for any program income generated from the use of CDBG funds and must treat such income as additional CDBG funds which are subject to all program rules. (24 CFR sections 570.504 and 570.506)

Condition:

The City does not have a procedure in place that allows for the proper calculation of draw down requests and enables the City to comply with requirements to spend program income before requesting federal dollars.

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

Context:

We reviewed twenty (20) of sixty six (66) draw down requests for 2004 to determine if the request for the draw correctly included program income amounts in the calculation. We noted, when draw down requests are submitted, the cash balance is not taken into consideration. Draws are done for the amount of invoices on hand. We reviewed the draw down requests and noted the amount of the request is for the total of the bills. We also noted that when the cash on hand balance is determined and noted on the draw down worksheet, the balance is cash in the 218- Community Development Fund only. Additional program income under the entitlement grant is received in the 219-Marehab Fund. The cash balance in this fund is not considered when requesting a draw down. We also noted program income from the HOME grant is posted to the 218-Community Development Fund. Program income for this grant can be used for any allowable purpose under the HOME program. The same is true for the CDBG Entitlement grant, however all allowable costs for the CDBG grant are not necessarily allowable for the HOME grant. Since the program income is commingled it is not possible to determine if it is being used for allowable costs. We are also unable to determine what part of the cash balance is program income and what part is federal grant funds since funds are commingled and no ledgers are maintained for cash activity for each grant.

Effect:

The City is requesting federal dollars before spending program income, contrary to 24CCR Section 570.504.

Cause:

Draw down requests are not calculated using cash balances on hand, therefore, the City is not ensuring program income is used before requesting additional federal money.

Recommendation:

We recommend the grants be separated into individual funds and a separate line item be used for program income for each grant. Draw down request procedures should be established that take into consideration the amount of program income on hand. Program income should be recorded properly in the IDIS system to reflect the actual program income received for the month. These changes will not only ensure the proper amount of the draw down requests but also ensure the program income is used for an allowable purpose under the grant that generated the program income.

Management's Response:

City management plans to respond in the near future.

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NUMBER	2003 – 004
----------------	------------

Program Information:

CFDA #14.218 – CDBG Entitlement Program Grant
U.S. Department Of Housing And Urban Development

Condition:

The City appears to lack internal controls related to communication, recordkeeping, and monitoring of federal programs. There is also a lack of experienced, knowledgeable personnel in the Community Development Department which could lead to noncompliance with grant requirements. Management is not aware of any policy and procedure manuals in place that specify the steps needed to administer the grants. This would be extremely beneficial with the high turnover in the Community Development Department. It would also help to ensure the programs are being run in compliance with grant agreements and rules and regulations that govern those grants.

There are no procedures in place for the Community Development Department grant records to reconcile with the City financial records. A reconciliation of the grant program records to the City records would help locate posting errors and make sure all revenues and expenses of a program are accounted for. The reconciliation should be performed by the department handling the program and a copy should be forwarded to the Auditor's office indicating records are in agreement or detailing adjustments needed. This reconciliation should be initialed and dated by the person preparing it.

The City is responsible for monitoring the various programs, whether they administer them or hire an outside administrator. The City has no monitoring guide in place that would indicate what procedures should take place for the monitoring reviews. The City should consult with the providing agencies to determine the standards for monitoring and should develop checklists and review procedures that would help substantiate the monitoring process.

We also noted the personnel charged with the responsibility of administering the CDBG Entitlement Grant Program do not have the necessary knowledge of the grant requirements. Personnel in management positions in the Community Development Department have been with the City for less than a year and have no prior experience with this grant.

Effect:

Because of the lack of internal controls, charges could be made to grants that are not allowed. In addition, recordkeeping between grant and City records may not agree causing inaccurate reporting to the granting agency. Also, the granting agency doing performance and monitoring reviews may determine recordkeeping is inadequate for grants and may discontinue funding.

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

Recommendation:

We recommend the following to improve internal controls:

A policy and procedure manual be written covering the grant program.

- 1) Establish better communications between departments and have on hand the various OMB Circulars, particularly Circulars A-87 and A-110, the OHCP Financial Management Rules and Regulations, and any other handbook the granting agency provides so all employees involved with the grant understand the requirements.
- 2) The City should become aware of the recordkeeping requirements of the grant. If the financial records of the City can not provide the reports needed, a separate system of spreadsheets should be maintained that will provide the information required by the grant.
- 3) A reconciliation procedure should be established to verify grant and City financial records agree.
- 4) The City should consult with the providing agency to determine the standards for monitoring and develop checklists and review procedures that would help substantiate the monitoring process.
- 5) The City should consider obtaining an outside administrator or consultant until such time as the personnel can attend sufficient training and seminars on the grant requirements.

Management's Response:

City management plans to respond in the near future.

FINDING NUMBER	2003 – 005
----------------	------------

Program Information:

CFDA #14.218 – CDBG Entitlement Program Grant
U.S. Department Of Housing And Urban Development

Criteria:

The grant agreement for the CDBG Entitlement Program stipulates the maximum allowed for planning and administration expenses is 20% of the current grant plus 20% of the current year program income.

CITY OF MARIETTA
WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2003

Condition:

The City exceeded the maximum planning and administration expense allowed for the year 2003. We noted the amounts on the IDIS C04PR03 and C04PR26 reports, which give detail and total amounts for planning and administrative activities, did not agree to the totals comprised of the planning and administrative costs on the Detail Expense Report from the City Auditor's office. Our review indicates all amounts were not reported in the IDIS system.

Questioned Costs:

The City has exceeded the allowed planning and administration costs by \$22,366 making these expenses unallowed for the grant.

Context:

Our review compared the amounts on the C04PR03 report from the IDIS (HUD) system with the detail expense report from the City's financial reporting system. We noted several instances of differences between the administrative costs on the financial system and the planning and administrative costs on the IDIS system.

Effect:

Failure to properly report expense amounts resulted in unallowed costs. This may lead to refunding of such costs to HUD, or HUD may determine the City does not have the capacity to administer the grant.

Cause:

The employees working with the grant are not experienced with grant coding and procedures. Items may have the wrong matrix code and therefore are not being included in the planning and administrative costs on the IDIS system. Likewise, the financial system coding may not be specific enough to segregate those items that could be considered program costs as opposed to administrative costs. There is also a lack of reconciliation of expense amounts between the two systems.

Recommendation:

We recommend the City establish a reconciliation procedure which compares the financial records to the IDIS system. A responsible and knowledgeable person should be assigned this task and reconciliations should be initialed and dated. Any unreconciled differences should be investigated immediately and corrections made where needed. A supervisory employee should be reviewing the reconciliations and should also sign off on the reconciliation as evidence of this review. The signed reconciliation should then be kept in a file.

Management's Response:

City management plans to respond in the near future.

**CITY OF MARIETTA
WASHINGTON COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	A noncompliance citation was issued under the Ohio Revised Code Section 5705.39 stating total appropriations from each fund shall not exceed the total estimated revenues.	No	Repeated for General, Permissive Tax, CopsFast, Comm Corrections, Intermodal Hub Study, Police Pension, Fire Pension, and Grit Removal Facility as Finding 2003-001
2001-21084-001	Ohio Rev. Code Section 1901.11 – Finding for Recovery against the Municipal Court Judge	No	Partially Corrected – first installment paid in July, 2003. Two additional installments due in 2004 and 2005.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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

MARCH 8, 2005