

**CITY OF MARION, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED*  
*DECEMBER 31, 2007*





Mary Taylor, CPA  
Auditor of State

Members of City Council and Mayor  
City of Marion  
233 West Center Street  
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of the City of Marion, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2007 through December 31, 2007. 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 Marion is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 14, 2009

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## INDEPENDENT AUDITOR'S REPORT

To the Members of City Council and Mayor  
City of Marion, Ohio

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 Marion, Marion County, Ohio, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 opinions.

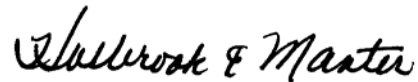
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Marion County, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General Fund, Street Construction, Maintenance and Repair Fund and the Tax Incremental 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 February 13, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 12, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

As discussed in Note 3 to the financial statements, the City restated the 2007 beginning fund/net asset balances to reflect the changes in accounting principles, reclassifications, and restatements with respect to changes in accounting policies and estimates. Also, as discussed in Note 24, the City entered into an agreement for the purchase of two new computer systems for approximately \$1,000,000, subsequent to December 31, 2007.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, 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.



Certified Public Accountants

February 13, 2009

**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED

The discussion and analysis of the City of Marion's financial performance provides an overview of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2007 are as follows:

In total, the City's net assets increased less than 4 percent from the prior year; 2 percent for governmental activities and less than 10 percent for business-type activities. The change for governmental activities is not significant. The largest share of the increase in the business-type activities can be attributed to the net income of the Sanitation enterprise fund.

General revenues made up 67 percent of the total revenues for governmental activities in 2007, and of this amount, 76 percent was provided through municipal income taxes, the most critical of the City's revenue sources. Program revenues, or user charges, make up 99 percent of the revenues for business-type activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City's financial position.

The statement of net assets and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General Fund, the Street Construction, Maintenance, and Repair special revenue fund, the Tax Incremental Financing capital projects fund, and the Sewer, Sanitation, Landfill, and Storm Water enterprise funds.

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, equipment, sewer and storm water lines). These factors must be considered when assessing the overall health of the City.



**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED

In the statement of net assets and the statement of activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's sewer, sanitation, landfill, and storm water services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General Fund, the Street Construction, Maintenance, and Repair special revenue fund, the Tax Incremental Financing capital projects fund, and the Sewer, Sanitation, Landfill, and Storm Water enterprise funds. While the City uses many funds to account for its financial transactions, these are the most significant.

*Governmental Funds* - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

*Proprietary Funds* - The City has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The City uses enterprise funds to account for sewer, sanitation, landfill, and storm water operations. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The City's internal service fund accounts for the City's central garage which provides vehicle maintenance to departments of the City.

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2007 and 2006.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current and Other Assets	\$19,781,831	\$16,447,888	\$12,036,558	\$9,767,777	\$31,818,389	\$26,215,665
Capital Assets, Net	58,718,047	59,248,956	40,417,334	42,785,871	99,135,381	102,034,827
Total Assets	<u>78,499,878</u>	<u>75,696,844</u>	<u>52,453,892</u>	<u>52,553,648</u>	<u>130,953,770</u>	<u>128,250,492</u>
<u>Liabilities</u>						
Current and Other Liabilities	3,778,771	2,962,189	5,882,711	5,059,998	9,661,482	8,022,187
Long-Term Liabilities	9,706,000	9,250,299	33,227,985	35,314,844	42,933,985	44,565,143
Total Liabilities	<u>13,484,771</u>	<u>12,212,488</u>	<u>39,110,696</u>	<u>40,374,842</u>	<u>52,595,467</u>	<u>52,587,330</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	54,707,830	55,015,277	10,147,834	11,626,727	64,855,664	66,642,004
Restricted	7,483,772	7,019,750	0	0	7,483,772	7,019,750
Unrestricted	2,823,505	1,449,329	3,195,362	552,079	6,018,867	2,001,408
Total Net Assets	<u>\$65,015,107</u>	<u>\$63,484,356</u>	<u>\$13,343,196</u>	<u>\$12,178,806</u>	<u>\$78,358,303</u>	<u>\$75,663,162</u>

While the change in net assets for governmental activities was not significant (increase of 2 percent) there were several items worth noting. Current and other assets increased over \$3.3 million resulting from two primary factors. Cash and cash equivalents increased over \$1.5 million due to note proceeds which had not been spent as of year end applicable to both capitalized and non-capitalized projects. In addition, there was an increase in the receivable for payments in lieu of taxes of \$1.1 million due to additional tax exemption agreements with companies/contractors. Current and other liabilities increased from the issuance of bond anticipation notes for various improvements. Long-term liabilities increased from the issuance of bond anticipation notes to be used for infrastructure improvements and for constructing a building for the central garage.

In general, two factors also led to the increase in net assets for business-type activities. The increase in current and other assets of \$2.2 million is the result of a \$1.2 million increase in cash and cash equivalents. Three of the City's enterprise funds had an increase in net assets from the excess of revenues over expenses; the largest contributor was the Sanitation Fund. There was also an increase in accounts receivable (charges for utility services provided but not received) of \$1.1 million.

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

Table 2 reflects the change in net assets for 2007 and 2006.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$5,152,745	\$4,027,642	\$12,876,254	\$9,303,307	\$18,028,999	\$13,330,949
Operating Grants, Contributions, and Interest	3,496,511	3,301,366	3,648	0	3,496,511	3,301,366
Capital Grants and Contributions	641,574	862,366	0	253,810	645,222	1,116,176
Total Program Revenues	<u>9,290,830</u>	<u>8,191,374</u>	<u>12,879,902</u>	<u>9,557,117</u>	<u>22,170,732</u>	<u>17,748,491</u>
General Revenues						
Property Taxes Levied for General Purposes	1,144,917	932,492	0	0	1,144,917	932,492
Property Taxes Levied for Police and Fire Pension	207,531	329,225	0	0	207,531	329,225
Municipal Income Taxes Levied for General Purposes	13,816,172	12,482,954	0	0	13,816,172	12,482,954
Municipal Income Taxes Levied for Street Construction, Maintenance, and Repair	328,401	939,842	0	0	328,401	939,842
Municipal Income Taxes Levied for Capital Improvements	425,819	384,520	0	0	425,819	384,520
Grants and Entitlements not Restricted to Specific Programs	2,101,134	1,884,999	0	0	2,101,134	1,884,999
Franchise Taxes	204,551	169,191	0	0	204,551	169,191
Interest	814,664	633,496	92,218	25,030	906,882	658,526
Other	211,571	137,111	38,308	78,975	249,879	216,086
Total General Revenues	<u>19,254,760</u>	<u>17,893,830</u>	<u>130,526</u>	<u>104,005</u>	<u>19,385,286</u>	<u>17,997,835</u>
Total Revenues	<u>28,545,590</u>	<u>26,085,204</u>	<u>13,010,428</u>	<u>9,661,122</u>	<u>41,556,018</u>	<u>35,746,326</u>

(continued)

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

Table 2  
Change in Net Assets  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Program Expenses</u>						
Security of Persons and Property	\$13,133,723	\$12,817,584	\$0	\$0	\$13,133,723	\$12,817,584
Public Health	1,169,331	1,031,373	0	0	1,169,331	1,031,373
Leisure Time Activities	1,401,953	1,447,385	0	0	1,401,953	1,447,385
Community Environment	729,756	712,498	0	0	729,756	712,498
Transportation	6,216,734	6,258,957	0	0	6,216,734	6,258,957
General Government	4,148,279	3,363,930	0	0	4,148,279	3,363,930
Interest and Fiscal Charges	215,063	252,245	0	0	215,063	252,245
Sewer	0	0	5,854,979	4,471,187	5,854,979	4,471,187
Sanitation	0	0	4,418,705	1,699,038	4,418,705	1,699,038
Landfill	0	0	83,300	95,254	83,300	95,254
Storm Water	0	0	1,489,054	1,106,585	1,489,054	1,106,585
Total Expenses	<u>27,014,839</u>	<u>25,883,972</u>	<u>11,846,038</u>	<u>7,372,064</u>	<u>38,860,877</u>	<u>33,256,036</u>
Increase in Net Assets Before Transfers	1,530,751	201,232	1,164,390	2,289,058	2,695,141	2,490,290
Transfers	0	(214,848)	0	214,848	0	0
Increase (Decrease) in Net Assets	<u>1,530,751</u>	<u>(13,616)</u>	<u>1,164,390</u>	<u>2,503,906</u>	<u>2,695,141</u>	<u>2,490,290</u>
Net Assets Beginning of Year	<u>63,484,356</u>	<u>63,497,972</u>	<u>12,178,806</u>	<u>9,674,900</u>	<u>75,663,162</u>	<u>73,172,872</u>
Net Assets End of Year	<u>\$65,015,107</u>	<u>\$63,484,356</u>	<u>\$13,343,196</u>	<u>\$12,178,806</u>	<u>\$78,358,303</u>	<u>\$75,663,162</u>

The above table reflects the revenues and expenses for operating the City during 2007. Program revenues for governmental activities increased somewhat from the prior year as can be seen in the increase in charges for services. A large portion of this amount is related to ambulance fees. The increase in general revenues (almost 8 percent) is generally reflected in property taxes and income taxes. This is the result of new development within the City, improvements to real estate which increased values and additional businesses that led to increased income taxes.

The increase in total expenses for governmental activities was 4 percent and is consistent with expected inflationary increases in costs. In reviewing expenses, note that police and fire operations account for almost 49 percent of the City's total expenses and the street department operations account for another 23 percent of total expenses. These three departments, along with the basic costs of city operations (administration, receipt collections, paying bills, etc.), account for 87 percent of all of the City's governmental expenses.

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

As is to be expected, 99 percent of the revenues for business-type activities are received through charges for services provided to the users of the utility systems. Only the City's Storm Water Fund had a decrease in total net assets and that decrease was less than 2 percent.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Security of Persons and Property	\$13,133,723	12,817,584	\$11,304,809	\$11,811,758
Public Health	1,169,331	1,031,373	314,069	446,595
Leisure Time Activities	1,401,953	1,447,385	1,133,762	1,289,297
Community Environment	729,756	712,498	(1,133,235)	(868,117)
Transportation	6,216,734	6,258,957	3,205,613	2,513,989
General Government	4,148,279	3,363,930	2,683,928	2,246,831
Interest and Fiscal Charges	215,063	252,245	215,063	252,245
<b>Total Expenses</b>	<b>\$27,014,839</b>	<b>\$25,883,972</b>	<b>\$17,724,009</b>	<b>\$17,692,598</b>

While the dependence on general revenues (primarily municipal income taxes) to pay for the various services provided by the City is significant, program revenues in several of the programs provide for a considerable portion of the costs. For example, charges for services and operating grants restricted for public health purposes provided for 73 percent of the costs of this program. Charges for services and various grants and contributions provided for 48 percent of transportation costs (the transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes).

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The City's major governmental funds are the General Fund, the Street, Construction, Maintenance, and Repair special revenue fund, and the Tax Incremental Financing capital projects fund. The General Fund experienced a 16 percent decrease in fund balance from the prior year. Although revenues exceeded expenditures for the year, the decrease is the result of operating subsidies provided to other funds. The Street Construction, Maintenance, and Repair fund had a 39 percent decrease in fund balance as expenditures far exceeded revenues in this fund due to this year's street projects. While the fund received a subsidy from the General Fund in excess of \$781,000, this did not make up for the shortfall in revenues. The Tax Incremental Financing fund realized a substantial increase in its fund balance from resources from the additional tax exemption agreements.

**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Sewer, Sanitation, Landfill, and Storm Water funds. As can be seen on the statement of revenues, expenses, and changes in fund net assets, all four funds experienced an operating income in 2007 and three of the four had a positive change in net assets. Only the Storm Water fund had a decrease in net assets and it was less than 2 percent.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the General Fund. The 7 percent change from the original budget to the final budget for revenues was due to conservative estimates for income taxes as well as resources to be received from the State. Changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were not significant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital Assets* - The City's investment in capital assets for governmental and business-type activities as of December 31, 2007, was \$58,718,047 and \$40,417,334, respectively (net of accumulated depreciation). The most significant additions for governmental activities included land at the airport, five cruisers, 2 snowplows, and street improvements. Disposals were minimal. There were no additions or disposals during 2007 for business-type activities. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

*Debt* - At December 31, 2007, the City had \$3,320,000 in bond anticipation notes payable from governmental activities and \$5,440,000 in bond anticipation notes payable from business-type activities. The City also had a number of long-term obligations outstanding including \$6,548,621 in general obligation bonds, \$1,115,124 in loans for an ODOT related project, \$1,580,171 in Ohio Public Works Commission loans, \$518,128 in capital loans, and \$22,941,019 in Ohio Water Development Authority loans. Of this debt, \$30,111,864 will be paid from business-type activities.

In addition, the City's long-term obligations also include capital leases, compensated absences, the liability associated with the future payment of landfill postclosure costs. For further information regarding the City's debt, refer to Notes 17, 18, 19, and 20 to the basic financial statements.

CURRENT ISSUES

For 2008 we have many upcoming events. We rolled Various Purpose Notes in October of 2008 for projects that we will be doing in 2009. Those projects include much needed delayed maintenance here at City Hall, a new roof, generator and telephone system. Our Police Department will be upgrading their Records Management System and the Fire Department will be getting a new Pumper Truck. Our notes also included four projects for our Combined Sewer Overflow. We still have three projects that we are looking to roll notes for in February.

**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The City has purchased a complete new software package for Finance, Payroll/HR, Utility Billing and Community Development components. We will be working all year to put this software in place. The Finance piece of this project will include rebuilding our chart of accounts and decentralizing the work flow with new electronic capabilities. Income Tax will be upgraded in 2009. The current software is no longer supported at the end of 2010. Mandatory filing for Income Tax will be recommended as we currently do not have mandatory filing.

We are continuing negotiations with the Gold Unit in our Police Department, AFSME and IAFF (Fire Department). We have four of our seven bargaining units settled.

In November of 2008, our community voted to combine our City and County Health Departments. The Health Merger Committee will be working through all the details on this project and starting January 1, 2010 we should have a combined Health Department.

Healthcare costs remain a concern with increases of 17% for 2009 and projected increases of at least 12 to 15% for 2010. This will have a major impact on the workforce for the City of Marion.

The current financial issues for the City of Marion are similar to other cities in the state. Business' are reducing workforce and closing which concerns us about revenue collection for 2009 and 2010. We are meeting bi-weekly with the Mayor and his staff on these and other finance issues for the City of Marion. City Council's Finance Committee is also reviewing this situation every quarter.

Financial and Fraud policies with the City have been reviewed and will be updated periodically as we begin implementation of the new software. Tighter audit controls are in place and will continue to be tightened as needed.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Kelly L. Carr, City Auditor, City of Marion, 233 West Center Street, Marion, Ohio 43302.

**BASIC  
FINANCIAL STATEMENTS**



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**CITY OF MARION**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:-</b>			
Equity in pooled cash and cash equivalents	\$ 8,078,373	\$ 7,565,759	\$ 15,644,132
Accounts receivable	919,929	4,225,073	5,145,002
Accrued interest receivable	83,519	0	83,519
Due from other governments	1,955,239	0	1,955,239
Municipal income taxes receivable	2,789,626	0	2,789,626
Internal balances	( 103,613)	103,613	0
Prepaid items	163,071	74,742	237,813
Materials and supplies inventory	112,481	67,371	179,852
Property taxes receivable	1,454,473	0	1,454,473
Payment in lieu of taxes receivable	3,195,084	0	3,195,084
Notes receivable	1,133,649	0	1,133,649
Nondepreciable capital assets	10,067,938	699,886	10,767,824
Depreciable capital assets, net	48,650,109	39,717,448	88,367,557
<b>TOTAL ASSETS</b>	<b>78,499,878</b>	<b>52,453,892</b>	<b>130,953,770</b>
<b>LIABILITIES:-</b>			
Accounts payable	517,551	162,734	680,285
Accrued wages and benefits	278,534	49,228	327,762
Contracts payable	20,630	0	20,630
Matured compensated absences payable	33,964	0	33,964
Due to other governments	1,186,118	161,253	1,347,371
Accrued interest payable	74,506	69,496	144,002
Notes payable	340,000	5,440,000	5,780,000
Deferred revenue	1,327,468	0	1,327,468
Long-term liabilities:-			
Due within one year	3,863,075	2,254,607	6,117,682
Due in more than one year	5,842,925	30,973,378	36,816,303
<b>TOTAL LIABILITIES</b>	<b>13,484,771</b>	<b>39,110,696</b>	<b>52,595,467</b>
<b>NET ASSETS:-</b>			
Invested in capital assets, net of related debt	54,707,830	10,147,834	64,855,664
Restricted for:-			
Capital projects	4,739,264	0	4,739,264
Street construction, maintenance and repair	733,497	0	733,497
Other purposes	2,011,011	0	2,011,011
Unrestricted	2,823,505	3,195,362	6,018,867
<b>TOTAL NET ASSETS</b>	<b>\$ 65,015,107</b>	<b>\$ 13,343,196</b>	<b>\$ 78,358,303</b>

See accompanying Notes to the Basic Financial

**CITY OF MARION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Activities</u>	<u>Total</u>
<b>Governmental Activities:-</b>							
Security of persons and property	\$ 13,133,723	\$ 1,566,185	\$ 262,729	\$ 0	\$ ( 11,304,809)	\$ 0	\$ ( 11,304,809)
Public health	1,169,331	348,240	507,022	0	( 314,069)	0	( 314,069)
Leisure time activity	1,401,953	102,485	165,706	0	( 1,133,762)	0	( 1,133,762)
Community environment	729,756	1,622,999	239,992	0	1,133,235	0	1,133,235
Transportation	6,216,734	295,990	2,073,557	641,574	( 3,205,613)	0	( 3,205,613)
General government	4,148,279	1,216,846	247,505	0	( 2,683,928)	0	( 2,683,928)
Interest and fiscal charges	215,063	0	0	0	( 215,063)	0	( 215,063)
<b>Total governmental activities</b>	<b>27,014,839</b>	<b>5,152,745</b>	<b>3,496,511</b>	<b>641,574</b>	<b>( 17,724,009)</b>	<b>0</b>	<b>( 17,724,009)</b>
<b>Business-type Activities:-</b>							
Sewer	5,854,979	5,996,259	1,167	0	0	142,447	142,447
Sanitation	4,418,705	5,367,630	0	0	0	948,925	948,925
Landfill	83,300	240,750	0	0	0	157,450	157,450
Storm sewer	1,489,054	1,271,615	2,481	0	0	( 214,958)	( 214,958)
<b>Total business-type activities</b>	<b>11,846,038</b>	<b>12,876,254</b>	<b>3,648</b>	<b>0</b>	<b>0</b>	<b>1,033,864</b>	<b>1,033,864</b>
<b>Total primary government</b>	<b>\$ 38,860,877</b>	<b>\$ 18,028,999</b>	<b>\$ 3,500,159</b>	<b>\$ 641,574</b>	<b>( 17,724,009)</b>	<b>1,033,864</b>	<b>( 16,690,145)</b>
<b>General Revenues:-</b>							
Property taxes levied for general purposes					1,144,917	0	1,144,917
Property taxes levied for police and fire pension					207,531	0	207,531
Municipal income taxes levied for general purposes					13,816,172	0	13,816,172
Municipal income taxes levied for street construction, maintenance and repair					328,401	0	328,401
Municipal income taxes levied for capital improvements					425,819	0	425,819
Grants and entitlements not restricted to specific programs					2,101,134	0	2,101,134
Franchise fees					204,551	0	204,551
Interest					814,664	92,218	906,882
Other					211,571	38,308	249,879
<b>Total general revenues</b>					<b>19,254,760</b>	<b>130,526</b>	<b>19,385,286</b>
Change in net assets					1,530,751	1,164,390	2,695,141
<b>Net assets at beginning of year, restated (Note 3)</b>					<b>63,484,356</b>	<b>12,178,806</b>	<b>75,663,162</b>
<b>Net assets at end of year</b>					<b>\$ 65,015,107</b>	<b>\$ 13,343,196</b>	<b>\$ 78,358,303</b>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**

	<b>General</b>	<b>Street Construction, Maintenance and Repair</b>	<b>Tax Incremental Financing</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
<b>ASSETS:-</b>					
Equity in pooled cash and cash equivalents	\$ 3,608,638	\$ 469,355	\$ 1,629,609	\$ 2,244,346	\$ 7,951,948
Accounts receivable	919,497	0	0	432	919,929
Accrued interest receivable	83,519	0	0	0	83,519
Due from other governments	1,045,832	577,579	0	331,828	1,955,239
Municipal income taxes receivable	2,622,248	83,689	0	83,689	2,789,626
Interfund receivable	652,405	0	0	1,190	653,595
Prepaid items	130,517	12,498	0	15,050	158,065
Materials and supplies inventory	27,350	0	0	1,999	29,349
Property taxes receivable	1,231,839	0	0	222,634	1,454,473
Payment in lieu of taxes receivable	0	0	3,195,084	0	3,195,084
Notes receivable	0	0	0	1,133,649	1,133,649
<b>Total assets</b>	<b>\$ 10,321,845</b>	<b>\$ 1,143,121</b>	<b>\$ 4,824,693</b>	<b>\$ 4,034,817</b>	<b>\$ 20,324,476</b>
<b>LIABILITIES:-</b>					
Accrued wages payable	\$ 231,807	\$ 22,269	\$ 0	\$ 19,774	\$ 273,850
Accounts payable	342,978	42,799	0	74,985	460,762
Contracts payable	0	0	0	20,630	20,630
Matured compensated absences payable	33,964	0	0	0	33,964
Due to other governments	921,252	53,185	0	201,259	1,175,696
Interfund payable	32,777	32,280	0	666,038	731,095
Accrued interest payable	0	0	6,968	0	6,968
Notes payable	0	0	340,000	0	340,000
Deferred revenue	4,653,143	518,844	3,195,084	533,059	8,900,130
<b>Total liabilities</b>	<b>6,215,921</b>	<b>669,377</b>	<b>3,542,052</b>	<b>1,515,745</b>	<b>11,943,095</b>
<b>FUND BALANCES:-</b>					
Reserved for encumbrances	84,424	131,580	295	991,559	1,207,858
Reserved for notes receivable	0	0	0	1,104,526	1,104,526
Reserved for interfund receivable	402,000	0	0	0	402,000
Unreserved, designated for termination benefits	0	0	0	693,123	693,123
Unreserved, reported in:-					
General fund	3,619,500	0	0	0	3,619,500
Special revenue funds	0	342,164	0	520,233	862,397
Capital projects fund (deficit)	0	0	1,282,346	( 790,369)	491,977
<b>Total fund balance</b>	<b>4,105,924</b>	<b>473,744</b>	<b>1,282,641</b>	<b>2,519,072</b>	<b>8,381,381</b>
<b>Total liabilities and fund balance</b>	<b>\$ 10,321,845</b>	<b>\$ 1,143,121</b>	<b>\$ 4,824,693</b>	<b>\$ 4,034,817</b>	<b>\$ 20,324,476</b>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2007**

**Total governmental fund balances** \$ 8,381,381

*Amounts reported for governmental activities on the statement of net assets are different because of the following:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental activities	\$ 58,718,047	
Internal service fund	( 1,857,910)	
		56,860,137

Other long-term assets are not available to pay for current period

Accounts receivable	854,836	
Accrued interest receivable	50,029	
Due from other governments	1,548,988	
Municipal income taxes receivable	1,796,720	
Payment in lieu of taxes receivable	3,195,084	
Property taxes receivable	127,005	
		7,572,662

An internal balance is recorded in governmental activities to reflect overpayment to the internal service fund by the business-type activities.

( 115,822)

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

Accrued interest payable	( 56,031)	
Notes payable	( 1,580,000)	
General obligations bonds payable	( 865,000)	
ODOT DRIP TIF loan payable	( 1,115,124)	
OPWC loans payable	( 92,947)	
Capital loans payable	( 518,128)	
Capital leases payable	( 114,018)	
Compensated absences payable	( 4,020,783)	
Compensated absences payable - internal service fund	69,193	
		( 8,292,838)

An internal service fund is used by management to charge the cost of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.

609,587

**Net assets of governmental activities** **\$ 65,015,107**

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>General</b>	<b>Street Construction, Maintenance and Repair</b>	<b>Tax Incremental Financing</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
<b>REVENUES:-</b>					
Property taxes	\$ 1,189,806	\$ 0	\$ 0	\$ 214,990	\$ 1,404,796
Payment in lieu of taxes	0	0	478,042	0	478,042
Municipal income taxes	12,720,751	331,934	0	391,062	13,443,747
Charges for services	1,320,780	4,350	0	180,193	1,505,323
Fees, licenses and permits	246,738	18,375	0	0	265,113
Fines and forfeitures	974,891	0	0	211,341	1,186,232
Intergovernmental	2,330,484	1,368,679	0	1,920,935	5,620,098
Interest	719,266	14,340	29,268	49,468	812,342
Other	188,606	3,187	0	117,199	308,992
Total revenues	<u>19,691,322</u>	<u>1,740,865</u>	<u>507,310</u>	<u>3,085,188</u>	<u>25,024,685</u>
<b>EXPENDITURES:-</b>					
Current:-					
Security of persons and property	12,291,211	0	0	929,766	13,220,977
Public health	1,168,061	0	0	0	1,168,061
Leisure time activity	643,079	0	0	778,660	1,421,739
Community environment	365,134	0	0	364,622	729,756
Transportation	475,712	2,806,684	398,404	2,168,780	5,849,580
General government	3,706,775	0	0	287,117	3,993,892
Debt service:-					
Principal retirement	0	0	166,413	146,049	312,462
Current refunding	0	0	70,000	0	70,000
Interest and fiscal charges	0	0	92,102	97,255	189,357
Total expenditures	<u>18,649,972</u>	<u>2,806,684</u>	<u>726,919</u>	<u>4,772,249</u>	<u>26,955,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,041,350</u>	<u>( 1,065,819)</u>	<u>( 219,609)</u>	<u>( 1,687,061)</u>	<u>( 1,931,139)</u>
<b>OTHER FINANCING SOURCES (USES):-</b>					
Notes issued	0	0	1,580,000	0	1,580,000
Current refunding	0	0	( 700,000)	0	( 700,000)
Sale of capital assets	0	5,200	0	0	5,200
Inception of capital lease	0	0	0	149,000	149,000
Transfers in	0	781,675	25,229	1,180,073	1,986,977
Transfers out	( 1,837,955)	( 25,229)	( 89,355)	( 34,438)	( 1,986,977)
Total other financing sources (uses)	<u>( 1,837,955)</u>	<u>761,646</u>	<u>815,874</u>	<u>1,294,635</u>	<u>1,034,200</u>
Changes in fund balances	( 796,605)	( 304,173)	596,265	( 392,426)	( 896,939)
<b>Fund balances at beginning of year, restated (Note 3)</b>	<u>4,902,529</u>	<u>777,917</u>	<u>686,376</u>	<u>2,911,498</u>	<u>9,278,320</u>
<b>Fund balances at end of year</b>	<u>\$ 4,105,924</u>	<u>\$ 473,744</u>	<u>\$ 1,282,641</u>	<u>\$ 2,519,072</u>	<u>\$ 8,381,381</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**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, 2007**

**Net change in fund balances - total governmental funds** \$ ( 896,939)

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

Government funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.

Capital outlay - non-depreciable capital assets	\$ 814,647		
Capital outlay - depreciable capital assets	1,518,205		
Depreciation	( 2,741,087)		
Depreciation - internal service fund	<u>47,464</u>		
		(	360,771)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from sale of capital assets	( 5,200)		
Gain on disposal of capital assets	5,200		
Loss on disposal of capital assets	<u>( 122,674)</u>		
		(	122,674)

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

Property taxes	( 52,348)		
Payment in lieu of taxes	1,144,957		
Municipal income taxes	1,126,645		
Charges for services	730,806		
Fees, licenses and permits	41,397		
Fines and forfeitures	5,426		
Intergovernmental	468,793		
Interest	<u>50,029</u>		
			3,515,705

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

Notes payable	770,000		
General obligations bond payable	45,000		
ODOT DRIP TIF	160,003		
OPWC loans payable	6,410		
Capital loans payable	66,067		
Capital leases payable	<u>34,982</u>		
			1,082,462

Note proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets

( 1,580,000)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets

( 25,706)

The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net asset

( 149,000)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences payable	90,837		
Compensated absences payable - internal service fund	<u>11,634</u>		
			102,471

An internal service fund is used by management to charge the costs of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.

( 34,797)

**Change in net assets of governmental activities** \$ 1,530,751

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:-</b>				
Municipal income taxes	\$ 12,402,158	\$ 12,873,996	\$ 13,375,369	\$ 501,373
Property taxes	1,160,663	1,189,806	1,189,806	0
Charges for services	1,340,734	1,471,480	1,403,850	( 67,630)
Fees, licenses and permits	250,505	261,223	246,738	( 14,485)
Fines and forfeitures	849,500	952,100	960,102	8,002
Intergovernmental	2,420,437	2,999,334	2,651,038	( 348,296)
Interest	450,000	450,000	592,233	142,233
Other	16,400	17,638	22,289	4,651
Total revenues	<u>18,890,397</u>	<u>20,215,577</u>	<u>20,441,425</u>	<u>225,848</u>
<b>EXPENDITURES:-</b>				
Current;-				
Security of persons and property	12,248,227	12,532,295	12,250,422	281,873
Public health	1,150,655	1,537,286	1,179,412	357,874
Leisure time activity	674,580	692,990	646,996	45,994
Community environment	358,000	365,134	365,134	0
Transportation	481,544	505,054	444,059	60,995
General government	3,680,581	3,622,207	3,459,059	163,148
Total expenditures	<u>18,593,587</u>	<u>19,254,966</u>	<u>18,345,082</u>	<u>909,884</u>
Excess of revenues over expenditures	<u>296,810</u>	<u>960,611</u>	<u>2,096,343</u>	<u>1,135,732</u>
<b>OTHER FINANCING SOURCES (USES):-</b>				
Other financing sources	300,140	230,140	181,572	( 48,568)
Advances in	25,000	25,000	708,273	683,273
Advances out	0	0	( 828,952)	( 828,952)
Transfers out	( 1,629,568)	( 1,853,549)	( 1,837,955)	15,594
Total other financing sources (uses)	<u>( 1,304,428)</u>	<u>( 1,598,409)</u>	<u>( 1,777,062)</u>	<u>( 178,653)</u>
Changes in fund balance	( 1,007,618)	( 637,798)	319,281	957,079
<b>Fund balance at beginning of year</b>	2,646,737	2,646,737	2,646,737	0
<b>Prior year encumbrances appropriated</b>	<u>310,798</u>	<u>310,798</u>	<u>310,798</u>	<u>0</u>
<b>Fund balance at end of year</b>	<u>\$ 1,949,917</u>	<u>\$ 2,319,737</u>	<u>\$ 3,276,816</u>	<u>\$ 957,079</u>

See accompanying Notes to the Basic Financial Statements.



**CITY OF MARION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:-</b>				
Municipal income taxes	\$ 388,421	\$ 402,504	\$ 439,680	\$ 37,176
Charges for services	5,000	5,000	4,350	( 650)
Fees, licenses and permits	25,000	25,000	18,400	( 6,600)
Intergovernmental	1,477,586	1,474,646	1,479,708	5,062
Interest	10,000	11,100	14,340	3,240
Other	1,500	2,891	2,732	( 159)
Total revenues	<u>1,907,507</u>	<u>1,921,141</u>	<u>1,959,210</u>	<u>38,069</u>
<b>EXPENDITURES:-</b>				
Current:-				
Transportation	<u>2,884,199</u>	<u>3,205,917</u>	<u>2,976,477</u>	<u>229,440</u>
Total expenditures	<u>2,884,199</u>	<u>3,205,917</u>	<u>2,976,477</u>	<u>229,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 976,692)</u>	<u>( 1,284,776)</u>	<u>( 1,017,267)</u>	<u>267,509</u>
<b>OTHER FINANCING SOURCES (USES):-</b>				
Other financing sources	3,000	3,000	455	( 2,545)
Sale of capital assets	0	5,200	5,200	0
Transfers in	<u>699,143</u>	<u>727,307</u>	<u>781,675</u>	<u>54,368</u>
Transfers out	<u>( 53,786)</u>	<u>( 25,229)</u>	<u>( 25,229)</u>	<u>0</u>
Total other financing sources (uses)	<u>648,357</u>	<u>710,278</u>	<u>762,101</u>	<u>51,823</u>
Changes in fund balance	<u>( 328,335)</u>	<u>( 574,498)</u>	<u>( 255,166)</u>	<u>319,332</u>
<b>Fund balance at beginning of year</b>	442,235	442,235	442,235	0
<b>Prior year encumbrances appropriated</b>	<u>116,979</u>	<u>116,979</u>	<u>116,979</u>	<u>0</u>
<b>Fund balance at end of year</b>	<u>\$ 230,879</u>	<u>\$ ( 15,284)</u>	<u>\$ 304,048</u>	<u>\$ 319,332</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2007**

	<b>Business-type Activities -Enterprise Funds</b>				<b>Total Enterprise</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Sanitation</b>	<b>Landfill</b>	<b>Storm Water</b>		<b>Internal Service</b>
<b>ASSETS:-</b>						
Current assets:-						
Equity in pooled cash and cash equivalents	\$ 3,614,308	\$ 672,887	\$ 0	\$ 3,123,830	\$ 7,411,025	\$ 126,425
Accounts receivable	1,795,862	1,915,006	0	514,205	4,225,073	0
Interfund receivable	5,027	0	0	0	5,027	89,786
Prepaid items	55,904	13,833	0	5,005	74,742	5,006
Materials and supplies inventory	67,074	146	0	151	67,371	83,132
Total current assets	<u>5,538,175</u>	<u>2,601,872</u>	<u>0</u>	<u>3,643,191</u>	<u>11,783,238</u>	<u>304,349</u>
Noncurrent assets:-						
Capital assets:-						
Restricted assets:-						
Equity in pooled cash and cash equivalents	0	0	154,734	0	154,734	0
Nondepreciable capital assets	537,315	0	162,571	0	699,886	61,943
Depreciable capital assets, net	25,967,448	737,311	0	13,012,689	39,717,448	1,795,967
Total non-current assets	<u>26,504,763</u>	<u>737,311</u>	<u>317,305</u>	<u>13,012,689</u>	<u>40,572,068</u>	<u>1,857,910</u>
<b>Total assets</b>	<u>32,042,938</u>	<u>3,339,183</u>	<u>317,305</u>	<u>16,655,880</u>	<u>52,355,306</u>	<u>2,162,259</u>
<b>LIABILITIES:-</b>						
Current liabilities:-						
Accrued wages payable	33,203	15,136	0	889	49,228	4,684
Accounts payable	112,453	24,511	18,985	6,785	162,734	56,789
Compensated absences payable	79,867	25,398	0	2,260	107,525	30,814
Due to other governments	79,653	75,157	124	6,319	161,253	10,422
Interfund payable	219	12,768	4,019	230	17,236	77
Accrued interest payable	33,738	0	0	35,758	69,496	11,507
General obligation bonds payable	115,000	0	0	210,000	325,000	0
OWDA loans payable	1,398,751	0	146,925	0	1,545,676	0
OPWC loans payable	106,803	0	0	13,085	119,888	0
Capital leases payable	0	80,261	0	0	80,261	0
Postclosure costs payable	0	0	76,257	0	76,257	0
Total current liabilities	<u>1,959,687</u>	<u>233,231</u>	<u>246,310</u>	<u>275,326</u>	<u>2,714,554</u>	<u>114,293</u>
Non-current liabilities:-						
Compensated absences payable	301,015	72,318	0	8,166	381,499	38,379
Notes payable	3,040,000	0	0	2,400,000	5,440,000	1,400,000
General obligation bonds payable	1,892,044	0	0	3,466,577	5,358,621	0
OWDA loans payable	20,169,164	0	1,226,179	0	21,395,343	0
OPWC loans payable	1,184,986	0	0	182,350	1,367,336	0
Capital leases payable	0	41,143	0	0	41,143	0
Postclosure costs payable	0	0	2,429,436	0	2,429,436	0
Total non-current liabilities	<u>26,587,209</u>	<u>113,461</u>	<u>3,655,615</u>	<u>6,057,093</u>	<u>36,413,378</u>	<u>1,438,379</u>
<b>Total liabilities</b>	<u>28,546,896</u>	<u>346,692</u>	<u>3,901,925</u>	<u>6,332,419</u>	<u>39,127,932</u>	<u>1,552,672</u>
<b>NET ASSETS:-</b>						
Invested in capital assets, net of related debt	2,628,679	615,907	162,571	6,740,677	10,147,834	457,910
Unrestricted (deficit)	<u>867,363</u>	<u>2,376,584</u>	<u>( 3,747,191)</u>	<u>3,582,784</u>	<u>3,079,540</u>	<u>151,677</u>
Total net assets (deficit)	<u>\$ 3,496,042</u>	<u>\$ 2,992,491</u>	<u>\$ ( 3,584,620)</u>	<u>\$ 10,323,461</u>	<u>13,227,374</u>	<u>\$ 609,587</u>
Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the net assets of the internal service fund					<u>115,822</u>	
<b>Net assets of business-type activities</b>					<u>\$ 13,343,196</u>	

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise</u>	<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Storm Water</u>		<u>Internal Service</u>
<b>OPERATING REVENUES:-</b>						
Charges for services	\$ 5,996,259	\$ 5,367,630	\$ 240,750	\$ 1,271,615	\$ 12,876,254	\$ 1,019,133
Other	<u>13,767</u>	<u>15,188</u>	<u>1,259</u>	<u>8,094</u>	<u>38,308</u>	<u>4,785</u>
Total operating revenues	<u>6,010,026</u>	<u>5,382,818</u>	<u>242,009</u>	<u>1,279,709</u>	<u>12,914,562</u>	<u>1,023,918</u>
<b>OPERATING EXPENSES:-</b>						
Personal services	1,627,506	1,005,956	0	525,744	3,159,206	280,621
Travel and transportation	408	58	0	60	526	0
Contract services	1,084,092	809,163	15,429	80,141	1,988,825	82,679
Materials and supplies	610,258	84,675	3,533	143,513	841,979	581,033
Bad debt	0	2,427,861	0	0	2,427,861	0
Depreciation	1,878,659	78,289	0	411,589	2,368,537	47,464
Other	<u>2,729</u>	<u>0</u>	<u>0</u>	<u>230</u>	<u>2,959</u>	<u>0</u>
Total operating expenses	<u>5,203,652</u>	<u>4,406,002</u>	<u>18,962</u>	<u>1,161,277</u>	<u>10,789,893</u>	<u>991,797</u>
Operating income (loss)	<u>806,374</u>	<u>976,816</u>	<u>223,047</u>	<u>118,432</u>	<u>2,124,669</u>	<u>32,121</u>
<b>NONOPERATING REVENUES (EXPENSES):-</b>						
Grants	1,167	0	0	2,481	3,648	0
Interest revenue	54,805	0	0	37,413	92,218	0
Interest expense	<u>( 650,674)</u>	<u>( 5,684)</u>	<u>( 64,338)</u>	<u>( 327,287)</u>	<u>( 1,047,983)</u>	<u>( 75,080)</u>
Total nonoperating revenues (expenses)	<u>( 594,702)</u>	<u>( 5,684)</u>	<u>( 64,338)</u>	<u>( 287,393)</u>	<u>( 952,117)</u>	<u>( 75,080)</u>
Changes in net assets	211,672	971,132	158,709	( 168,961)	1,172,552	( 42,959)
<b>Net assets (deficit) at beginning of year - restated (Note 3)</b>	<u>3,284,370</u>	<u>2,021,359</u>	<u>( 3,743,329)</u>	<u>10,492,422</u>		<u>652,546</u>
<b>Net assets (deficit) at end of year</b>	<u>\$ 3,496,042</u>	<u>\$ 2,992,491</u>	<u>\$ ( 3,584,620)</u>	<u>\$ 10,323,461</u>		<u>\$ 609,587</u>
The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.					( 8,162)	
<b>Change in net assets of business-type activities</b>					<u>\$ 1,164,390</u>	

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Internal Service</b>
	<b>Sewer</b>	<b>Sanitation</b>	<b>Landfill</b>	<b>Storm Water</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATION ACTIVITIES:-</b>						
Cash received from customers	\$ 5,872,826	\$ 2,012,585	\$ 240,750	\$ 1,197,923	\$ 9,324,084	\$ 929,347
Cash payments for personal services	( 1,633,930)	( 998,561)	0	( 528,454)	( 3,160,945)	( 265,758)
Cash payments for contract services	( 1,068,473)	( 780,398)	( 47,982)	( 79,287)	( 1,976,140)	( 79,302)
Cash payments to vendors	( 604,171)	( 77,015)	( 3,300)	( 174,258)	( 858,744)	( 477,210)
Cash received other revenues	13,767	19,471	1,259	8,094	42,591	4,785
Cash payments for other expenses	( 2,729)	0	0	0	( 2,729)	0
Net cash provided by (used in) operating activities	<u>2,577,290</u>	<u>176,082</u>	<u>190,727</u>	<u>424,018</u>	<u>3,368,117</u>	<u>111,862</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:-</b>						
Grants	1,167	0	0	2,481	3,648	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:-</b>						
Principal paid on bond anticipation notes	( 2,635,000)	0	0	( 2,090,000)	( 4,725,000)	( 1,500,000)
Principal paid on general obligation bonds	( 110,000)	0	0	( 200,000)	( 310,000)	0
Principal paid on OWDA loans	( 1,374,398)	0	( 140,736)	0	( 1,515,134)	0
Principal paid on OPWC loans	( 106,803)	0	0	( 13,085)	( 119,888)	0
Lease principal	0	( 77,634)	0	0	( 77,634)	0
Interest paid on bond anticipation notes	( 111,676)	0	0	( 88,578)	( 200,254)	( 63,573)
Interest paid on general obligation bonds	( 110,135)	0	0	( 201,685)	( 311,820)	0
Interest paid on OWDA loans	( 394,420)	0	( 64,338)	0	( 458,758)	0
Lease interest	0	( 5,684)	0	0	( 5,684)	0
Bond anticipation notes issued	3,040,000	0	0	2,400,000	5,440,000	1,400,000
Net cash used for capital and related financing activities	<u>( 1,802,432)</u>	<u>( 83,318)</u>	<u>( 205,074)</u>	<u>( 193,348)</u>	<u>( 2,284,172)</u>	<u>( 163,573)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>						
Interest	54,805	0	0	37,413	92,218	0
Net increase (decrease) in cash and cash equivalents	830,830	92,764	( 14,347)	270,564	1,179,811	( 51,711)
<b>Cash and cash equivalents at beginning of year</b>	<u>2,783,478</u>	<u>580,123</u>	<u>169,081</u>	<u>2,853,266</u>	<u>6,385,948</u>	<u>178,136</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 3,614,308</u>	<u>\$ 672,887</u>	<u>\$ 154,734</u>	<u>\$ 3,123,830</u>	<u>\$ 7,565,759</u>	<u>\$ 126,425</u>
<b>RECONCILIATION OF OPERATION INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-</b>						
Operating income	\$ 806,374	\$ 976,816	\$ 223,047	\$ 118,432	\$ 2,124,669	\$ 32,121
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-</b>						
Allowance for Uncollectibles	0	2,542,861	0	0	2,542,861	0
Depreciation	1,878,659	78,289	0	411,589	2,368,537	47,464
Changes in assets and liabilities:-						
Increase in accounts receivable	( 125,125)	( 3,470,045)	0	( 73,692)	( 3,668,862)	0
Increase in interfund receivable	( 3,112)	0	0	0	( 3,112)	( 89,786)
Decrease in due from other governments	4,804	4,283	0	0	9,087	0
Decrease in prepaid items	7,200	1,201	0	886	9,287	90
(Increase) decrease in materials and supplies inventory	( 4,322)	943	0	971	( 2,408)	65,984
Increase in accrued wages payable	5,572	1,576	0	154	7,302	1,039
Increase (decrease) in accounts payable	7,559	( 24,963)	12,740	( 31,497)	( 36,161)	41,299
Increase (decrease) in due to other governments	23,638	46,551	124	( 3,237)	67,076	1,940
Increase in interfund payable	219	12,768	2,798	230	16,015	77
Increase (decrease) in compensated absences payable	( 24,176)	5,802	0	182	( 18,192)	11,634
Decrease in postclosure costs payable	0	0	( 47,982)	0	( 47,982)	0
<b>Net cash provided by operating activities</b>	<u>\$ 2,577,290</u>	<u>\$ 176,082</u>	<u>\$ 190,727</u>	<u>\$ 424,018</u>	<u>\$ 3,368,117</u>	<u>\$ 111,862</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**DECEMBER 31, 2007**

	<u>Agency</u>
<b>ASSETS:-</b>	
Equity in pooled cash and cash equivalents	\$ 34,275
Cash and cash equivalents in segregated accounts	<u>73,114</u>
<b>Total assets</b>	<b>\$ <u><u>107,389</u></u></b>
<b>LIABILITIES:-</b>	
Undistributed monies	<u>\$ 107,389</u>
<b>Total liabilities</b>	<b>\$ <u><u>107,389</u></u></b>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 1 - DESCRIPTION OF THE CITY:-**

**A. The City**

The City of Marion (the City) is a statutory municipal corporation established and operated under the laws of the State of Ohio. Marion was incorporated as a city in 1890.

The City operates under an elected Mayor/Council form of government. Legislative power is vested in a nine-member City Council and a Council President, each elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer for the City. All city officials, with the exception of the Safety/Service Director, are elected positions. The Mayor appoints the Safety/Service Director.

The City is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, health services, street maintenance and repair, parks and recreation, public transit system, sewer, sanitation, and recycling services, as well as staff support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

**B. Reporting Entity**

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Marion consists of all funds, departments, boards and agencies that are not legally separate from the City.

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 organizations' 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 organizations resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. There were no component units of the City of Marion in 2007.

The City participates in two insurance pools, the Ohio Municipal Joint Self- Insurance Pool and the Ohio Rural Water Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 22 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

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

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**A. Basis of Presentation**

The City's 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 activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses.

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 the 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 business segment or governmental functions are self-financing or draw 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. The internal service funds are presented in a single column on the face of the proprietary fund financial statements. 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. The funds of the City are reported in three categories; governmental, proprietary, and fiduciary.

***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.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Street Construction, Maintenance and Repair Fund – This fund accounts for 92.5 percent of the state gasoline tax and motor vehicle registration fees as well as .05 percent voted municipal income tax designated for maintenance and repair of streets within the City.

Tax Incremental Financing Fund – This fund accounts for monies used for public infrastructure improvements funded by payments in lieu of taxes.

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

***Proprietary Funds*** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The City reports two type of proprietary funds, enterprise and internal service.

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

*Sewer Fund* - This fund accounts for the provision of wastewater treatment service to its residential and commercial users located within the City.

*Sanitation Fund* - This fund accounts for garbage collection and recycling services to the residents and commercial users located with the City.

*Landfill Fund* - This fund accounts for the ongoing postclosure activities at the landfill which closed in 1995.

*Storm Sewer Fund* - This fund accounts for the operation of the storm water runoff system within the city.

Internal Service Fund - The internal service fund accounts for the City's central garage which provides for vehicle maintenance provided to departments of the City.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: 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. The City did not have any trust funds in 2007. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for employee payroll withholdings and deductions, for insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, fines, and fees collected by the Marion Municipal Court (excluding those due to the City of Marion), and fines collected by the City for traffic and parking violations distributed to other parties.

**C. Measurement Focus**

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.



**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

***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 reflects 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, the proprietary funds are accounted for using 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 revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects 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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, 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 thirty-one days of year-end.

Non-exchange 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 property taxes is recognized in the year for which taxes are levied. 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 non-exchange transactions 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: income tax, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), grants and interest.

***Deferred Revenue*** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

***Expenses/Expenditures*** - On the accrual basis, 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. Budgetary Process**

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, 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 City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increased 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 passed by City Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance 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 City Council during the year.

**F. Cash and Investments**

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pooled bank accounts are presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held within departments of the City are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2007, investments included nonnegotiable certificates of deposit, federal agency securities, mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Non-negotiable certificates of deposits are reported at cost. Investments are reported at fair value, which is based on quoted market prices or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to City funds according to State statutes, grant requirements or debt related restrictions. Interest revenue credited to the General Fund during 2007 was \$719,266, which includes \$423,407 assigned from other funds of the City.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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 the services are consumed.

**H. Inventory**

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

**I. Restricted Assets**

Assets are reported when limitations on their use change the nature or normal understanding of the availability of the assets. 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. Monies required to be set aside for postclosure costs at the landfill are reported as restricted.

**J. Capital Assets**

General capital assets are capital assets which are associated with and 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 used by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds. Capital assets used by the internal service fund are reported in both the governmental activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date donated. The City maintains a capitalization threshold of fifteen thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

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. The City reports all infrastructure, including that acquired prior to 1990. 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>
Land improvements	20 - 50 years	20 - 25 years
Buildings	25 - 100 years	15 - 75 years
Equipment	5 - 40 years	8 - 50 years
Vehicles	5 - 30 years	5 - 15 years
Streets	15 - 40 years	N/A
Sewer and storm water lines	N/A	50 years

**K. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." Interfund balances within governmental and business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "internal balances".

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving pay in the future. The amount is based on the accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in City policies or by union contracts. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**M. 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, general obligation bonds, long-term loans and capital leases are recognized as liabilities on the fund financial statements when due.

**N. Bond Discounts**

On government-wide financial statements discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. On the governmental fund financial statements, bond discounts are recognized in the period in which the debt is issued.

**O. 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 adopted by the City or through external restrictions issued by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for maintenance and repair of State highways, various economic development related grants, the transit system and a number of law enforcement grants. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At December 31, 2007, there were no net assets restricted by enabling legislation.

**P. Fund Balance Reserves and Designations**

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

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by City Council. The designation of fund balance represents monies set aside by City Council for the future payment of termination benefits.

**Q. 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, sanitation and storm water, and charges for vehicle maintenance in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**R. Interfund Transactions**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

**S. Estimates**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND RESTATEMENT OF FUND BALANCE/NET ASSETS:-**

**A. Change in Accounting Principles**

For 2007, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the Ohio Public Employees Retirement Systems and the Ohio Police and Fire Pension System postemployment healthcare plans, in the amount of \$68,053 and \$134,034, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND RESTATEMENT OF FUND BALANCE/NET ASSETS:-** (continued)

**B. Reclassifications**

In the prior year, the City reported several funds incorrectly and made errors in reporting a number of assets and liabilities, as well as incorrectly reporting the internal service fund.

**C. Restatement of Fund Balance/Net Assets**

During 2007, the City restated several fund balances as a result of a reclassification of accounts and changes in accounting policies and estimates.

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Tax Incremental Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Activities</u>
Fund balance at					
December 31, 2006	\$ 5,517,429	\$ 777,917	\$ ( 83,624)	\$ 3,285,374	\$ 9,497,096
Change in fund structure	( 15,829)	0	0	165,976	150,147
Change in notes receivable	0	0	0	22,544	22,544
Change in manuscript debt	0	0	0	( 454,000)	( 454,000)
Change in notes payable	0	0	770,000	0	770,000
Change in deferred revenue	( 599,071)	0	0	( 108,396)	( 707,467)
<b>Adjusted fund balance at December 31, 2006</b>	<u>\$ 4,902,529</u>	<u>777,917</u>	<u>686,376</u>	<u>2,911,498</u>	<u>9,278,320</u>

The restatement had the following effect on the net assets.

	<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Storm Sewer</u>	<u>Other Enterprise</u>	<u>Internal Service</u>
Net assets at						
December 31, 2006	\$ 13,157,538	\$ 1,874,166	\$ ( 3,890,981)	\$ 5,573,789	\$ 447,827	\$ 1,147,618
Change in fund structure	( 1,496)	( 1,496)	0	( 1,542)	( 76,082)	4,534
Capital assets	( 16,838,549)	( 349,053)	162,571	11,944,732	( 1,503,419)	( 329,368)
Accumulated depreciation	6,942,166	497,742	0	( 7,049,634)	1,131,674	( 170,238)
General obligations payable	13,661	0	0	24,689	0	0
OPWC loans payable	11,050	0	0	388	0	0
Postclosure costs payable	0	0	( 14,919)	0	0	0
<b>Adjusted net assets at December 31, 2006</b>	<u>\$ 3,284,370</u>	<u>\$ 2,021,359</u>	<u>\$ ( 3,743,329)</u>	<u>\$ 10,492,422</u>	<u>\$ 0</u>	<u>\$ 652,546</u>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND RESTATEMENT OF FUND BALANCE/NET ASSETS:-** (continued)

	<b>Total Governmental Activities</b>	<b>Total Business-Type Activities</b>
Net assets at December 31, 2006	\$ 34,893,941	\$ 17,161,704
Change in fund structure	72,477	( 79,981)
Due from other governments	( 960,000)	0
Payment in lieu of taxes receivable	1,583,175	0
Notes receivable	22,544	0
Capital assets	38,400,798	( 6,583,718)
Accumulated depreciation	( 10,164,081)	1,521,948
General obligation bonds payable	0	38,350
OPWC loans payable	0	11,438
Postclosure costs payable	0	( 14,919)
Internal revenue fund	( 123,984)	123,984
Deferred revenue	( 240,514)	0
<b>Adjusted net assets at December 31, 2006</b>	<b>\$ 63,484,356</b>	<b>\$ 12,178,806</b>

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-**

**A. Accountability**

At December 31, 2007, the following funds had deficit fund balances:

<b>Fund Type/Fund</b>	<b>Deficit</b>
Special Revenue Funds:-	
Violence Against Women	\$ 20,956
School Resource Officer	17,023
Marion Gun/Drug Reduction	31,720
Police and Fire Pension	123,115
Community Distress Program	7,580
Downtown Revitalization	23,174
Marion Area Transit	47,788
Capital Projects Funds:-	
DRIP Infrastructure	5,467
Quarry Park	7,580
Airport Improvement	71,806
Enterprise Fund:-	
Landfill	3,584,620



**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-** (continued)

The deficit fund balances in the special revenue and capital project funds resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit net assets in the landfill enterprise fund resulted from the requirement to report future postclosure costs. The City is setting aside resources to pay these future costs as they come due.

<u>Fund Type/Fund</u>	<u>Estimated Resource Plus Available Balances</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds;-			
Street construction, maintenance and repair	\$ 3,215,862	\$ 3,231,146	\$ 15,284
CHIP	500,000	513,429	13,429
Swimming pool	137,661	138,980	1,319

The City Auditor will review appropriations to ensure they are within estimated resources.

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2007.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund;-			
General Government;-			
Law Director -			
Capital outlay	\$ 0	\$ 4,500	\$ 4,500
Humann Resource Director -			
Materials and supplies	800	950	150
Civil Service -			
Contractual services	8,675	8,866	191
City Hall -			
Materials and supplies	95,137	100,335	5,198
Security of Persons and Property;-			
Dispatchers -			
Capital outlay	0	1,555	1,555
Public Health Services;-			
Health -			
Capital outlay	0	3,536	3,536

(continued)

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-** (continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds;-			
WIC -			
Materials and supplies	\$ 18,269	\$ 21,454	\$ 3,185
Parks -			
Leisure time activities -			
Parks -			
Capital outlay	2,872	17,100	14,228
Capital Projects Fund;-			
Airport improvement -			
Transportation -			
Airport -			
Contractual services	22,653	173,975	151,322
Enterprise Funds;-			
Sewer -			
Utility billing -			
Personal services	54,487	54,762	275
Sanitation -			
Utility billing -			
Personal services	54,487	54,763	276
Storm Water -			
Utility billing -			
Personal services	56,138	56,423	285

The Auditor will monitor budgetary transactions to ensure expenditures are within amounts appropriated.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING:-**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 and Actual (Non-GAAP Budgetary Basis) for the general fund and the street construction, maintenance and repair special revenue fund are 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. Outstanding year end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING:-** (continued)

Adjustments necessary to convert the results of operations for the year on the budget basis to GAAP basis are as follows:

	Changes in Fund Balance	
	<u>General</u>	<u>Street Construction, Maintenance, and Repair</u>
GAAP basis	\$ ( 796,605)	\$ ( 304,173)
<b>INCREASES (DECREASES) DUE TO:-</b>		
Revenue accruals:-		
Accrued 2006, received in cash 2007	2,354,818	361,199
Accrued 2007, not yet received in cash	( 1,249,792)	( 142,424)
Expenditure accruals:-		
Accrued 2006, paid in cash 2007	( 1,077,710)	( 158,557)
Accrued 2007, not yet paid in cash	1,562,778	150,533
Cash adjustments:-		
Unrecorded activity 2006	( 41,075)	25
Unrecorded activity 2007	( 132,376)	0
Prepaid items	13,609	3,538
Materials and supplies inventory	5,759	0
Advances in	708,273	0
Advances out	( 828,952)	0
Encumbrances outstanding at year end (Budget Basis)	<u>( 199,446)</u>	<u>( 165,307)</u>
<b>Budget basis</b>	<u>\$ 319,281</u>	<u>( 255,166)</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS:-**

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

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

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

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

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

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 City Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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 City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** - Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,208,608 of the City's bank balance of \$9,225,240 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

**Investments** - As of December 31, 2007, the City had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Bonds	\$ 500,155	7/30/2008
Federal Home Loan Bank Bonds	119,850	12/30/2008
Federal Home Loan Bank Bonds	250,860	3/30/2010
Federal Home Loan Bank Bonds	100,000	4/22/2011
Federal Home Loan Bank Bonds	500,625	11/15/2012
Federal Home Loan Bank Notes	100,031	1/28/2008
Federal Home Loan Bank Notes	250,625	3/28/2011
Federal Home Loan Bank Notes	252,423	7/2/2012
Federal Home Loan Bank Notes	256,875	8/14/2012
Federal Home Loan Bank Notes	250,470	9/7/2012
Federal Home Loan Bank Notes	252,735	11/5/2012
Federal Home Loan Mortgage Corporation Notes	129,522	5/30/2008
Federal Home Loan Mortgage Corporation Notes	200,012	9/26/2011
Federal Home Loan Mortgage Corporation Notes	252,020	6/12/2012
Federal Home Loan Mortgage Corporation Notes	250,003	9/17/2012
Federal Home Loan Mortgage Corporation Notes	256,245	10/23/2012
Federal National Mortgage Association Bonds	84,947	2/1/2008
Federal National Mortgage Association Notes	99,906	2/25/2008
Federal National Mortgage Association Notes	59,925	3/24/2008
Federal National Mortgage Association Notes	150,000	2/10/2011
Federal National Mortgage Association Notes	300,468	5/25/2011
Federal National Mortgage Association Notes	253,443	1/1/2012
Federal National Mortgage Association Notes	561,754	3/1/2012
Federal National Mortgage Association Notes	250,000	7/2/2012
Federal National Mortgage Association Notes	252,813	8/14/2012
Federal National Mortgage Association Notes	699,930	9/26/2012
Mutual Funds	253,125	7 days
STAR Ohio	<u>206,925</u>	41 days
<b>Total investments</b>	<b>\$ <u><u>7,095,687</u></u></b>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the City from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

All of the federal agency securities and the mutual funds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard & Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard service rating.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio.

	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$ 2,834,649	39.95%
Federal Home Loan Mortgage Corporation	1,087,802	15.33%
Federal National Mortgage Association	2,713,186	38.24%
Mutual Funds	253,125	3.57%
Star Ohio	<u>206,925</u>	<u>2.91%</u>
Total	<u>\$ 7,095,687</u>	<u>100.00%</u>

**NOTE 7 - RECEIVABLES:-**

Receivables at December 31, 2007 consisted of accounts (billings for user charged services, including unbilled utility services), accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue; municipal income taxes; interfund, property taxes, payment in lieu of taxes; and notes. All receivables are considered collectible in full and within one year, except for interfund, property taxes, payment in lieu of taxes, notes, and the allowance for uncollectible related to utility services. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes and notes receivable, in the amount of \$2,854,288 and \$1,104,526, respectively, will not be received within one year.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Block Grant program. The notes have an annual interest rate of 2% to 3% and are to be repaid over periods ranging from ten to thirty years.

A summary of the changes in notes receivable during 2007 follows:

	<u>Balance</u> <u>December 31,</u> <u>2006</u>	<u>New</u> <u>Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>December 31,</u> <u>2007</u>
Special Revenue Fund;- CDBG revolving loan	\$ 715,808	\$ 0	\$ 1,879	\$ 713,929
Capital Projects Fund;- Harding Centre loan	445,478	0	25,758	419,720
	<u>\$ 1,161,286</u>	<u>\$ 0</u>	<u>\$ 27,637</u>	<u>\$ 1,133,649</u>

A summary of accounts receivable related to utility services is as follows:

**CITY OF MARION, OHIO**  
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	<u>Sewer</u>	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total Enterprise Funds</u>
Accounts receivable	\$ 1,795,862	\$ 4,457,867	\$ 514,205	\$ 6,767,934
Less allowance for uncollectibles	0	2,542,861	0	2,542,861
<b>Net accounts receivable</b>	<u>\$ 1,795,862</u>	<u>\$ 1,915,006</u>	<u>\$ 514,205</u>	<u>\$ 4,225,073</u>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 - RECEIVABLES:-** (continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

	<b>Amount</b>
<b>Government Activities:-</b>	
<b>Major Funds:-</b>	
General Fund -	
Homestead and rollback	\$ 86,888
Local government	109,842
Local government revenue assistance	714,420
Tangible personal property reimbursement	14,603
Personal property exemption	3,323
Estate taxes	58,711
Bulletproof vest grant	3,000
DKMM recycling grant	7,564
Lead testing grant	3,396
WIC program grant	42,910
Miscellaneous	1,175
Total general fund	1,045,832
Street construction, maintenance and repair -	
Gasoline tax	464,565
Motor vehicle license tax	113,014
Total street construction, maintenance and repair	577,579
Total major funds	1,623,411
<b>Nonmajor Funds:-</b>	
Senior Citizens -	
Ohio District 5 Agency on Aging	4,131
State Highway -	
Gasoline tax	37,667
Motor vehicle license tax	3,026
Total state highway	40,693
Violence Against Women -	
Violence against women	12,137
Police Continuing Training -	
Police continuing training	10,300
School Resource Officer -	
School resource officer	10,037
Marion Gun/Drug Reduction -	
Marion gun/Drug Reduction	28,351



**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 7 - RECEIVABLES:-** (continued)

	<b>Amount</b>
<b>Non-major Funds;-</b>	
Community Corrections -	
Community corrections	\$ 59,562
Indigent Drivers Alcohol -	
Indigent drivers alcohol treatment	5,426
Police and Fire Pension -	
Homestead and rollback	15,694
Tangible personal property reimbursement	2,562
Personal property exemption	568
Total police and fire pension	18,824
Community Distress Program -	
Community distress	22,563
CHIP Grant -	
CHIP grant	2,300
Downtown Revitalization -	
Downtown revitalization	49,909
Marion Area Transit -	
Rural transit grant	33,210
CDBG Formula Grant -	
CDBG formula grant	6,820
Airport Improvement -	
FAA grant	28,465
Total non-major funds	331,828
<b>Total government activities</b>	<b>\$ 1,955,239</b>

**NOTE 8 - MUNICIPAL INCOME TAXES:-**

The City levies and collects an income tax of 1.75 percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax is credited to the General Fund, Street Construction, Maintenance and Repair special revenue fund, and the Capital Improvements capital projects fund, in the amount of 1.65 percent, .05 percent and .05 percent, respectively.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 9 - PROPERTY TAXES:-**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the payment is due April 30; if paid semiannually, 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 within the County, including the City of Marion. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes, which were measurable as of December 31, 2007, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, the delinquent real property taxes have been recorded as a receivable and revenue while the remainder has been deferred.

The full tax rates applied to real property for the year ended December 31, 2007, per taxing district, per \$1,000 of assessed valuation are as follows:

Marion City School District	\$3.60
Elgin Local School District	2.60
Pleasant Local School District	.90
River Valley Local School District	2.70
Ridgedale Local School District	1.40

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 9 - PROPERTY TAXES:-** (continued)

The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

<b>Category</b>	<b>Assessed Value</b>
Real Estate:-	
Agricultural/residential	\$ 275,972,300
Commercial/industrial	73,261,820
Public utility real	1,730,270
Public utility personal	20,905,600
Tangible personal	27,991,030
<b>Total</b>	<b>\$ 399,861,020</b>

**NOTE 10 - PAYMENT IN LIEU OF TAXES:-**

According to State law, the City has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The property owners contractually promise to make these payments in lieu of taxes until the agreements expire.

**NOTE 11 - CAPITAL ASSETS:-**

Capital asset activity for the governmental activities for the year ended December 31, 2007, was as follows:

	<b>Restated Balance December 31, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2007</b>
<b>Governmental Activities:-</b>				
Nondepreciable capital assets:-				
Land	\$ 8,049,367	\$ 653,672	\$ 0	\$ 8,703,039
Construction in progress	1,203,924	160,975	0	1,364,899
Total nondepreciable capital assets	9,253,291	814,647	0	10,067,938
Depreciable capital assets:-				
Land improvements	287,301	0	0	287,301
Buildings	24,775,861	138,658	0	24,914,519
Equipment	968,872	78,899	0	1,047,771
Vehicles	3,809,499	630,272	( 106,215)	4,333,556
Streets	59,313,663	670,376	( 361,304)	59,622,735
Total depreciable capital assets	89,155,196	1,518,205	( 467,519)	90,205,882

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 11 - CAPITAL ASSETS:-** (continued)

	<b>Restated Balance December 31, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2007</b>
Less accumulated depreciation for:-				
Land improvements	\$ ( 117,477)	\$ ( 12,582)	\$ 0	\$ ( 130,059)
Buildings	( 3,046,918)	( 364,698)	0	( 3,411,616)
Equipment	( 671,366)	( 44,599)	0	( 715,965)
Vehicles	( 1,472,036)	( 237,494)	106,215	( 1,603,315)
Streets	( 33,851,734)	( 2,081,714)	238,630	( 35,694,818)
Total accumulated depreciation	<u>( 39,159,531)</u>	<u>( 2,741,087)</u>	<u>344,845</u>	<u>( 41,555,773)</u>
Total depreciable capital assets, net	<u>49,995,665</u>	<u>( 1,222,882)</u>	<u>( 122,674)</u>	<u>48,650,109</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 59,248,956</u>	<u>\$ ( 408,235)</u>	<u>\$ ( 122,674)</u>	<u>\$ 58,718,047</u>
<b>Business-Type Activities:-</b>				
Nondepreciable capital assets:-				
Land	\$ 699,886	\$ 0	\$ 0	\$ 699,886
Depreciable capital assets:-				
Land improvements	96,191	0	0	96,191
Buildings	24,068,350	0	0	24,068,350
Equipment	4,483,601	0	0	4,483,601
Vehicles	1,472,915	0	0	1,472,915
Sewer and storm water lines	28,726,945	0	0	28,726,945
Total depreciable capital assets	<u>58,848,002</u>	<u>0</u>	<u>0</u>	<u>58,848,002</u>
Less, accumulated depreciation for:-				
Land improvements	( 38,480)	( 3,848)	0	( 42,328)
Buildings	( 1,925,917)	( 1,578,888)	0	( 3,504,805)
Equipment	( 1,905,013)	( 188,502)	0	( 2,093,515)
Vehicles	( 677,228)	( 90,025)	0	( 767,253)
Sewer and storm water lines	( 12,215,379)	( 507,274)	0	( 12,722,653)
Total accumulated depreciation	<u>( 16,762,017)</u>	<u>( 2,368,537)</u>	<u>0</u>	<u>( 19,130,554)</u>
Total depreciable capital assets, net	<u>42,085,985</u>	<u>( 2,368,537)</u>	<u>0</u>	<u>39,717,448</u>
<b>Business-type activities and capital assets, net</b>	<u>\$ 42,785,871</u>	<u>( 2,368,537)</u>	<u>0</u>	<u>40,417,334</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:-</b>	
Security of persons and property	\$ 165,726
Public health	291
Leisure time activities	41,041
Transportation	2,250,100
General government	283,929
<b>Total depreciation expense - governmental activities</b>	<u>\$ 2,741,087</u>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 12 - INTERFUND RECEIVABLES/PAYABLES:-**

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:

Due to General Fund from:-

Other governmental	\$ <u>652,405</u>
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Due to Other Governmental Funds from:-

General	\$ <u>1,190</u>
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Due to Sewer Fund from:-

General	\$ 620
Other governmental	81
Landfill	4,019
Storm water	230
Internal service	<u>77</u>
Total sewer fund	\$ <u>5,027</u>

Due to Internal Service Fund from:-

General	\$ 30,967
Street construction, maintenance and repair	32,280
Other governmental	13,552
Sewer	219
Sanitation	<u>12,768</u>
Total internal service fund	\$ <u>89,786</u>

The balance due to the General Fund consists of loans made to provide working capital for operations or projects. With the exception of \$402,000, all of these amounts are expected to be received within one year.

The amount due to Other Governmental Funds was for services provided to the General Fund. This amount is expected to be received within one year.

The amount due to the Sewer Fund resulted from services provided. This amount is expected to be received within one year.

The amount due to the Internal Service Fund resulted from services provided. This amount is expected to be received within one year.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 13 - RISK MANAGEMENT:-**

The City participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity shared risk pool. The City pays an annual premium to the pool for various types of insurance coverage. Member municipalities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2007, the City had the following insurance coverages:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property	\$45,075,152	\$ 1,000
General liability:-		
Aggregate	5,000,000	5,000
Law enforcement liability	5,000,000	10,000
Emergency medical services liability	5,000,000	5,000
Employee benefits liability	1,000,000	5,000
Automobile liability	5,000,000	0
Uninsured Motorists	40,000	0

Settled claims have not exceeded this commercial coverage in any of the last three years, and there has not been any significant reduction in coverage from the prior year.

For 2007, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive Committee then collected rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. 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 to the Ohio Bureau of Workers' 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 representatives of the Plan to access loss experience for three years following the last year of participation.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS:-**

**A. Ohio Public Employees Retirement System**

*Plan Description* - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member,

**CITY OF MARION, OHIO**  
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FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 14 - DEFINED BENEFIT PENSION PLANS:-** (continued)

accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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) 222-5601 or (800) 222-7377.

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85% of covered payroll. For the period January 1 through June 30, 2007, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment health care plan; for the period July 1 through December 31, 2007, this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$620,597, \$669,262 and \$693,761, respectively; 86% has been contributed for 2007 and 100% for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$15,439 made by the City and \$10,590 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

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

**Funding Policy** - Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The City's contribution was 19.5% for police officers and 24% for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75% of covered payroll was allocated to fund the postemployment health care plan. The City's required contribution for pension obligations for police and firefighters for the year ended December 31, 2007, was \$432,460 and \$542,613, for the year ended December 31, 2006, was \$383,407 and \$507,555 and December 31, 2005, was \$371,387 and \$494,507. For 2007, 69% has been contributed for police and 71% has been contributed for firefighters. The full amount has been contributed for 2006 and 2005.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - POSTEMPLOYMENT BENEFITS:-**

**A. Ohio Public Employees Retirement System**

**Plan Description** - The Ohio Public Employees Retirement Systems (OPERS) maintains a cost-sharing, multiple-employer health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment health care-coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

**Funding Policy** - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2007, 2006 and 2005 was \$418,946, \$334,469 and \$290,292, respectively; 84 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2007 and January 1, 2008, which allows additional funds to be allocated to the health care plan.



**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 15 - POSTEMPLOYMENT BENEFITS:-**

**B. Ohio Police and Fire Pension Fund**

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides postretirement healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement healthcare coverage for any person who received or is eligible to receive a monthly service, disability, or survivor benefit, or is a spouse or eligible dependent child of such person.

The Ohio Revised Code permits, but does require, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 east Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - OPF's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of section 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contribution to OPF which was allocated to fund postemployment healthcare benefits for police and firefighters for the year ended December 31, 2007, was \$228,949 and \$212,327, for the year ended December 31, 2006, was \$252,885 and \$242,065, and for the year ended December 31, 2005, was \$244,954 and \$235,842. For 2007, 69 percent has been contributed for police and 71 percent has been contributed for firefighters. The full amount has been contributed for 2006 and 2005.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 16 - COMPENSATED ABSENCES:-**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service and standard work week. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contacts. Upon retirement, employees are entitled to the value of their accumulated unused sick leave at varying percentages to a maximum of ninety to one hundred twelve and one-half days based on City policy and union contracts.

**NOTE 17 - NOTES PAYABLE:-**

A summary of the note transactions of the year ended December 31, 2007, is as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>
<b>Governmental Activities:-</b>					
General obligation bond anticipation notes:-					
2006 various purpose	4.00%	\$ 5,000	\$ 0	\$ 5,000	\$ 0
2007 various purpose	4.00%	0	340,000	0	340,000
<b>Total government activities</b>		<u>\$ 5,000</u>	<u>\$ 340,000</u>	<u>\$ 5,000</u>	<u>\$ 340,000</u>
<b>Business-Type Activities:-</b>					
General obligation bond anticipation notes:-					
2006 various purpose	4.25%	\$ 6,225,000	\$ 0	\$ 6,225,000	\$ 0
2007 various purpose	4.00%	0	5,440,000	0	5,440,000
<b>Total business-type activities</b>		<u>\$ 6,225,000</u>	<u>\$ 5,440,000</u>	<u>\$ 6,225,000</u>	<u>\$ 5,440,000</u>

According to Ohio law, notes may be issued in anticipation of bond proceeds or for up to 50 percent of anticipated revenue collections.

On June 27, 2007, the City issued bond anticipation notes, in the amount of \$340,000; \$70,000 to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive and \$270,000 for constructing public infrastructure improvements related to constructing and extending Lakes Blvd. The notes have an interest rate of 4 percent and matures on June 26, 2008. The notes were paid from the Tax Incremental Financing capital projects fund. As of December 31, 2007, the City had unspent proceeds, in the amount of \$270,000.

On October 16, 2007, the City issued \$5,440,000 in bond anticipation notes; \$3,040,000 for sewer improvements and \$2,400,000 for storm water improvements. The notes have an interest rate of 4 percent and matures on October 17, 2008. The notes were paid from the Sewer and Storm Water enterprise funds.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 18 - LONG-TERM OBLIGATIONS:-**

The City's long term obligations activity for the year December 31, 2007, was as follows:

	<u>Interest Rate</u>	<u>Restated Balance December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Due in Within One Year</u>
<b>Governmental Activities:-</b>						
Bond anticipation notes:-						
2006 various purpose notes	4.00%	\$ 770,000	\$ 0	\$ 770,000	\$ 0	\$ 0
2007 various purpose notes	4.00%	0	1,580,000	0	1,580,000	1,580,000
2007 various purpose notes	4.00%	0	1,400,000	0	1,400,000	1,400,000
Total various purpose notes		<u>770,000</u>	<u>2,980,000</u>	<u>770,000</u>	<u>2,980,000</u>	<u>2,980,000</u>
General obligation bonds:-						
2000 police and fire pension (Original amount \$1,145,000)	4.35-5.40	<u>910,000</u>	<u>0</u>	<u>45,000</u>	<u>865,000</u>	<u>50,000</u>
Other long-term obligations:-						
ODOT DRIP TIF (Original amount \$2,105,884)	0.00%	1,275,127	0	160,003	1,115,124	166,875
OPWC loan - #CP10D Marion Williamsport						
Road improvements (Original amount \$128,202)	0.00%	99,357	0	6,410	92,947	6,410
Capital loans payable		584,195	0	66,067	518,128	68,628
Capital leases payable		0	149,000	34,982	114,018	36,452
Compensated absences payable		<u>4,111,620</u>	<u>304,927</u>	<u>395,764</u>	<u>4,020,783</u>	<u>554,710</u>
Total other long-term obligations		<u>6,070,299</u>	<u>453,927</u>	<u>663,226</u>	<u>5,861,000</u>	<u>833,075</u>
<b>Total government activities</b>		<u>\$ 7,750,299</u>	<u>\$ 3,433,927</u>	<u>\$ 1,478,226</u>	<u>\$ 9,706,000</u>	<u>\$ 3,863,075</u>
<b>Business-Type Activities:-</b>						
General obligation bonds:-						
2000 various purpose (Original amount \$7,585,000)	4.35-5.40%	\$ 6,030,000	\$ 0	\$ 310,000	\$ 5,720,000	\$ 325,000
Discount		( 38,350)	0	( 1,971)	( 36,379)	0
Total general obligation bonds		<u>5,991,650</u>	<u>0</u>	<u>308,029</u>	<u>5,683,621</u>	<u>325,000</u>
OWDA loans -						
#2335 solids handling (Original amount \$2,290,314)	4.56%	1,366,290	0	117,848	1,248,442	123,282
#2336 landfill closure (Original amount \$2,720,754)	4.35%	1,513,840	0	140,736	1,373,104	146,925
#3397 WRRSP (Original amount \$5,366,955)	1.50%	4,305,969	0	275,305	4,030,664	280,603
#3398 WWTP upgrade (Original amount \$20,784,201)	1.50%	<u>17,270,054</u>	<u>0</u>	<u>981,245</u>	<u>16,288,809</u>	<u>994,866</u>
Total OWDA loans		<u>24,456,153</u>	<u>0</u>	<u>1,515,134</u>	<u>22,941,019</u>	<u>1,545,676</u>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 18 - LONG-TERM OBLIGATIONS:-** (continued)

	<b>Interest Rate</b>	<b>Restated Balance December 31, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2007</b>	<b>Due in Within One Year</b>
<b>Business-Type Activities:-</b>						
OPWC loans -						
#CP06G Mary St. sanitary sewer/storm water replacement (Original amount \$29,232)						
0.00%	\$ 27,040	\$ 0	\$ 1,462	\$ 25,578	\$ 1,462	
#CP10F Uncapher Ave/ Florence St. sanitary sewer/ storm water replacement (Original amount \$268,990)						
0.00%	221,918	0	13,449	208,469	13,449	
#CP16E Avondale Ave/ Catalina Dr. storm water (Original amount \$119,185)						
0.00%	89,390	0	5,959	83,431	5,959	
#CP18A industrial depot sanitary sewer (Original amount \$157,168)						
0.00%	78,584	0	10,478	68,106	10,478	
#CP33E water pollution control upgrade (Original amount \$1,070,800)						
0.00%	910,180	0	53,540	856,640	53,540	
#CP522 airport industrial park sanitary sewer (Original amount \$700,000)						
0.00%	280,000	0	35,000	245,000	35,000	
<b>Total OPWC loans</b>						
	<u>1,607,112</u>	<u>0</u>	<u>119,888</u>	<u>1,487,224</u>	<u>119,888</u>	
Capital leases payable						
	199,038	0	77,634	121,404	80,261	
Compensated absences payable						
	507,216	0	18,192	489,024	107,525	
Postclosure costs payable						
	2,553,675	0	47,982	2,505,693	76,257	
Total other long-term obligations						
	<u>29,323,194</u>	<u>0</u>	<u>1,778,830</u>	<u>27,544,364</u>	<u>654,138</u>	
<b>Total business-type activities</b>						
	<u>\$ 35,314,844</u>	<u>\$ 0</u>	<u>\$ 2,086,859</u>	<u>\$ 33,227,985</u>	<u>\$ 2,254,607</u>	

**Bond Anticipation Notes** - On June 27, 2007, the City issued bond anticipation notes, in the amount of \$1,580,000; \$700,000 to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive, \$480,000 for constructing public infrastructure improvements related to constructing and extending Lakes Boulevard, and \$400,000 for improving Barks Road between Delaware Avenue and State Route 529. The notes have an interest rate of 4 percent and matures on June 26, 2008. The notes were paid from the Tax Incremental Financing capital projects fund.

On October 16, 2007, the City issued \$1,400,000 in bond anticipation notes for constructing, equipping and furnishing a central garage building. The notes have an interest rate of 4 percent and matures on October 17, 2008. The notes were paid from the Central Garage internal service fund.

As of December 31, 2007, the City had unspent proceeds, in the amount of \$480,000, and \$400,000 spent on items which were not capitalized.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 18 - LONG-TERM OBLIGATIONS:-** (continued)

**General Obligation Bonds** - On November 1, 2000, the City issued \$8,730,000 in unvoted general obligation bonds to pay the long-term liability to the Police and Fire Pension system which established the system, and to construct and replace sewer and storm water lines. The bonds were issued for a twenty year period with final maturity in 2020. The bonds will be paid from the Bond Retirement debt service fund and from the sewer and storm water enterprise funds.

The bonds maturing on December 31, 2013, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2011	\$425,000
2012	445,000

The remaining principal, in the amount of \$470,000, will be paid at stated maturity on December 1, 2013.

The bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2014	\$495,000
2015	525,000

The remaining principal, in the amount of \$550,000, will be paid at stated maturity on December 1, 2016.

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2017	\$575,000
2018	610,000
2019	640,000

The remaining principal, in the amount of \$675,000, will be paid at stated maturity on December 1, 2020.

The bonds maturing on or after December 1, 2011, are subject to optional redemption prior to maturity, commencing December 1, 2010, either in whole or in part, in such order as the City shall determine, on any date on or after December 1, 2020, at a redemption price equal to the following percentages of principal redeemed plus accrued interest to the date of redemption:

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2010 through November 30, 2011	102%
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100%

**ODOT DRIP TIF** - On May 11, 1998, the City entered into a loan agreement with the Ohio Department of Transportation for road improvements to a new industrial park. The loan was issued for a fifteen year period with final maturity in 2013. The loan will be paid from the Tax Incremental Financing capital projects fund.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 18 - LONG-TERM OBLIGATIONS:-** (continued)

**Capital Loans** - The City obtained a loan with a local bank for the purchase of a fire truck. The City is paying the loan in equal quarterly payments over the ten-year life of the loan which will mature in 2014. The loan is being repaid from resources of the Capital Improvement capital projects fund.

**Capital Leases** - Capital lease obligations will be paid from the fund that maintains custody of the related assets.

**Compensated Absences** - The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Construction, Maintenance and Repair, Violence Against Women, School Resource Officer, Parks and Marion Area Transit special revenue funds, the Sewer, Sanitation and Storm Water enterprise funds and the Central Garage internal service fund.

**Ohio Water Development Authority (OWDA)** - OWDA loans consist of money owed to the Ohio Water Development Authority for the replacement of the solids handling system and solids storage building, landfill closure, preservation of Edison Woods, and waste water treatment plant improvements. OWDA loans are payable solely from the gross revenues of the Sewer and Landfill enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the loans is \$22,941,019 and \$539,034, respectively. Principal and interest paid in the Sewer enterprise fund for the current year was \$1,374,398 and \$394,420, and \$140,736 and \$64,338 in the Landfill enterprise fund. Total net revenues for the Sewer and Landfill enterprise funds were \$2,739,838 and \$223,047, respectively.

OWDA monies spent on items which were not capitalized were \$4,030,664 in the Sewer enterprise fund and \$1,373,104 in the Landfill enterprise funds.

**Ohio Public Works Commission (OPWC)** - OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for construction for sewer and storm water lines. The loans are interest free. OPWC loans will be paid from the Tax Incremental Financing capital projects fund and Sewer and Storm Water enterprise funds.

The City's legal debt margin was \$36,167,155 at December 31, 2007.

The waste water treatment plan upgrades funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2007, were as follows:

<b>Year</b>	<b><u>Governmental Activities</u></b>			
	<b>General Obligation Bonds</b>		<b>ODOT Loan</b>	
	<b>Bonds</b>		<b>DRIP TIF Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 50,000	\$ 44,975	\$ 166,875	\$ 45,639
2009	50,000	42,625	174,043	38,471
2010	55,000	40,250	181,518	30,996
2011	55,000	37,610	189,315	23,199
2012	60,000	34,805	197,446	15,068
2013-2017	340,000	125,020	205,927	6,587
2018-2022	255,000	28,080	0	0
<b>Total</b>	<b>\$ 865,000</b>	<b>\$ 353,365</b>	<b>\$ 1,115,124</b>	<b>\$ 159,960</b>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 18 - LONG-TERM OBLIGATIONS:-** (continued)

<u>Year</u>	<b>OPWC</b>		
	<u>Loans</u>		<u>Capital Loans</u>
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,410	\$ 68,628	\$ 18,816
2009	6,410	71,287	16,157
2010	6,410	74,049	13,395
2011	6,410	76,919	10,525
2012	6,410	79,899	7,545
2013-2017	32,051	147,346	5,682
2018-2022	28,846	0	0
<b>Total</b>	<b>\$ 92,947</b>	<b>\$ 518,128</b>	<b>\$ 72,120</b>

<u>Year</u>	<b>Business-Type Activities</b>					
	<u>General Obligation</u>			<u>OWDA Loans</u>		<u>OPWC</u>
	<u>Bonds</u>		<u>Interest</u>		<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2008	\$ 325,000	\$ 297,405	\$ 270,207	\$ 113,689	\$ 119,888	
2009	340,000	282,130	282,354	101,542	119,888	
2010	355,000	265,980	295,046	88,850	119,888	
2011	370,000	248,940	308,311	75,585	119,888	
2012	385,000	230,070	322,171	61,725	119,888	
2013-2017	2,275,000	826,495	1,143,457	97,643	457,765	
2018-2022	1,670,000	183,330	0	0	366,095	
2023-2025	0	0	0	0	63,924	
<b>Total</b>	<b>\$ 5,720,000</b>	<b>\$ 2,334,350</b>	<b>\$ 2,621,546</b>	<b>\$ 539,034</b>	<b>\$ 1,487,224</b>	

**NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE:-**

The City has entered into capitalized leases for vehicles. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one, which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Security of Persons and Property" and Inception of Capital Lease" in the fund which will be making the lease payments. Principal payments in 2007 were \$34,982 for governmental funds and \$77,634 for enterprise funds.

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Vehicles	\$ 149,000	\$ 405,334
Less accumulated depreciation	0	( 81,068)
<b>Total</b>	<b>\$ 149,000</b>	<b>\$ 324,266</b>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE:-** (continued)

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 36,452	\$ 4,159	\$ 80,261	\$ 3,057
2009	37,984	2,627	41,143	516
2010	39,582	1,029	0	0
Total	<u>\$ 114,018</u>	<u>\$ 7,815</u>	<u>\$ 121,404</u>	<u>\$ 3,573</u>

**NOTE 20 - LANDFILL POSTCLOSURE COSTS:-**

State and federal laws and regulations require that the City to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City stopped accepting waste at its landfill in 1995. The \$2,505,693 reported as landfill postclosure costs at December 31, 2007, represents the estimated costs of maintenance and monitoring through 2025. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The December 31, 2007 liability decreased from the prior year by \$47,982.

The City is required by state and federal laws and regulations to provide assurance that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The City has passed the financial accountability test proving the ability to self-fund these future costs.

**NOTE 21 - INTERFUND TRANSFERS:-**

During 2007, the following transfers were made:

	Transfers Out				
	General	Street Construction, Maintenance and Repair	Tax Incremental Financing	Other Governmental	Total
<b>Governmental Activities:-</b>					
Street construction, maintenance and repair	\$ 781,675	\$ 0	\$ 0	\$ 0	\$ 781,675
Tax incremental financing	0	25,229	0	0	25,229
Other governmental	1,056,280	0	89,355	34,438	1,180,073
<b>Total government activities</b>	<u>\$ 1,837,955</u>	<u>\$ 25,229</u>	<u>\$ 89,355</u>	<u>\$ 34,438</u>	<u>\$ 1,986,977</u>

The General Fund made transfers to subsidize operations in the Street Construction, Maintenance and Repair special revenue fund and other governmental funds.

The Street Construction, Maintenance and repair special revenue fund made transfers for street contribution related to tax incremental financing project.

The Tax Incremental Financing capital projects fund made transfers for construction activities related to the tax incremental financing project being done in conjunction with ODOT.

Other governmental funds made transfers primarily to subsidize transit activities.



**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 22 - INSURANCE POOLS:-**

***Ohio Municipal Joint Self-Insurance Pool*** - The Ohio Municipal Joint Self-Insurance Pool, a risk-sharing pool, was established in 1987 to provide property and liability insurance coverage to its member municipalities. The pool's objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage and to develop a comprehensive loss control program on behalf of its member municipalities. The Pool is governed by a Board of Trustees elected from its membership. A member may withdraw its membership in the Pool at the end of any coverage period upon sixty days written notice to the Pool. Members who terminate participation in the Pool are subject to a supplemental assessment or a refund at the discretion of the Board of Trustees, depending on the ultimate loss experience of its members for the coverage period. Financial information for the Pool may be obtained from the Ohio Municipal Joint Self-Insurance Pool, 1340 Depot Street, Cleveland, Ohio 44118.

***Ohio Rural Water Association Workers' Compensation Group Rating Plan*** - The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water association Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by participating members. Financial information may be obtained from the Ohio Rural Water Association Workers' Compensation Group Rating Plan, 975 Linden Avenue, Zanesville, Ohio 43701.

**NOTE 23 - CONTINGENT LIABILITIES:-**

***Litigation*** - The City is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

***Federal and State Grants*** - For the period January 1, 2007 to December 31, 2007, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**NOTE 24 - SUBSEQUENT EVENTS:-**

On June 26, 2008, the City issued \$1,580,000 in bond anticipation notes to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive, for constructing public infrastructure improvements related to constructing and extending Lakes Boulevard and for improving Barks Road between Delaware avenue and State Route 529. The notes have an interest rate of 2.75 percent and mature on June 25, 2009.

On October 16, 2008, the City issued \$11,475,000 in bond anticipation notes to retire notes previously issued for sewer and storm water improvements and for constructing, equipping and furnishing a central garage building, for roof repair and to purchase various equipment and a vehicle. The notes have an interest rate of 3.75 percent and mature on October 15, 2009.

During 2008 and 2009, the City purchased two new software packages with an approximate cost of \$1,000,000. These two packages will supplement upgrades/new software packages for the Police Department, the Finance, the Payroll/HR, the Utility Billing, and the Community Development components.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Mayor and Members of Council  
City of Marion, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Ohio (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 13, 2009. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not to opine on the effectiveness of the city's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the city's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as finding 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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

We also noted certain internal control matters that we reported to the City's management in a separate letter dated February 13, 2009.

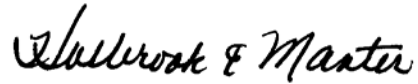
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 13, 2009.

City of Marion's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Certified Public Accountants

February 13, 2009



**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**

Mayor and Members of Council  
City of Marion, Ohio

**Compliance**

We have audited the compliance of the City of Marion, 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, 2007. 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.

In our opinion, the City 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, 2007. However, we noted other matters involving compliance, which we have reported to management of the City in a separate letter dated February 13, 2009.

**Internal Control over Compliance**

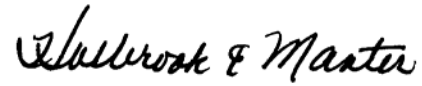
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or deducted by entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted immaterial control deficiencies that we have reported to management of the City in a separate letter dated February 13, 2009.

This report is intended solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Certified Public Accountants

February 13, 2009

**CITY OF MARION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDING DECEMBER 31, 2007**

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program Title	Federal CDFA Number	Pass Through Entity Number	Disbursements
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through the Ohio Department of Health			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	51-2-001-1-CL-08	\$ 59,297
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	51-2-001-1-CL-07	247,145
<b>Total U.S. Department of Agriculture</b>			<b>306,442</b>
<b><u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed Through the Ohio Department of Development			
Community Development Block Grant - State's Program '06 Distress	14.228	A-F-06-142-1	5,742
Community Development Block Grant - State's Program '06 Formula	14.228	A-F-06-142-1	44,256
Community Development Block Grant - State's Program '06 CHIP (CDBG)	14.228	A-C-06-142-1	17,200
Community Development Block Grant - State's Program '06 CHIP	14.228	A-C-06-142-1	105,843
Community Development Block Grant - State's Program '06 CHIP	14.228	A-C-06-142-1	47,600
Community Development Block Grant - State's Program '05 Formula	14.228	A-F-05-142-1	105,590
Community Development Block Grant - State's Program '05 Formula	14.228	A-F-06-142-1	44,256
Community Development Block Grant - State's Program '06 Downtown	14.228	A-T-06-142-1	46,379
Community Development Block Grant - State's Program '06 CHIP	14.228	A-C-06-142-1	18,249
Total Community Development Block Grant - State's Program			435,115
<b>Total U.S. Department of Housing and Urban Development</b>			<b>435,115</b>
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
Passed Through the Ohio Office of Crininal Justice Services			
Drug/Gun Reduction	16.738	2006-JG-AOV-V6360	44,134
MDT/Info Sharing Network Grant	16.579	2003-BJ-E01-6426	1,629
Bulletproof Vest '05	16.607	OMB 1121-0235	8
Bulletproof Vest '06	16.607	OMB 1121-0235	4,500
School Resource Officer Grant	16.738	2006-JG-B01-6412	39,950
Total School Resource Officer Grant			90,221
Violence Against Women Formula Grant	16.588	2006-WFVA2-8110	54,000
Total Violence Against Women Formula Grant			54,000
<b>Total U.S. Department of Justice</b>			<b>144,221</b>
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
Airport Improvement Program	20.106	AIP 3-39-0050-1706	135,195
Airport Improvement Program	20.106	AIP 3-39-0050-1504	358,820
Airport Improvement Program	20.106	AIP 3-39-0050-1302	391,062
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas '06 Operating	20.509	RPT-4051-025-061	390
Formula Grants for Other Than Urbanized Areas '06 Capital	20.509	RPT-0051-025-062	105,870
Formula Grants for Other Than Urbanized Areas '06 Intercity	20.509	RPT-4051-025-063	618
Formula Grants for Other Than Urbanized Areas '07 Operating	20.509	RPT-4051-026-071	325,792
Formula Grants for Other Than Urbanized Areas '07 Intercity	20.509	RPT-4051-026-073	18,563
Total Transit Grants			451,233
<b>Total U.S. Department of Transportation</b>			<b>1,336,310</b>
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Aging</i>			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers '06	93.044	N/A	2,080
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers '07	93.044	N/A	48,905
Special Programs for the Aging - Title III, Part E Grants for Supportive Services and Senior Centers	93.044	N/A	5,000
<b>Total U.S. Department of Health and Human Services</b>			<b>55,985</b>
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
FEMA/United States Fire Administration	97.044	EMW-2006-FG-14227	40,500
<b>Total U.S. Department of Homeland Security</b>			<b>40,500</b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b>\$ 2,318,573</b>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF MARION**  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:-**

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

**NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS:-**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-to-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by liens placed on personal property. At December 31, 2007, amounts were paid to date and no delinquent amounts due.

**NOTE 3 - MATCHING REQUIREMENTS:-**

Certain Federal programs require that the City 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 4 - PASS-THROUGH ENTITY NUMBERS:-**

The Ohio Department of Aging does not provide pass-through entity numbers.

**CITY OF MARION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #20.106 – Airport Improvement Program
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**CITY OF MARION**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Finding Number</b>	<b>2007-001</b>
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**Significant Deficiency - Payroll Calculation and Review**

The City of Marion is responsible for maintaining policies and procedures and meeting applicable compliance requirements with respect to monitoring the authorized pay rates and approved expenditures.

During our testing of 2007 payroll expenditures, it was determined that the payroll transactions were not being monitored to the fullest extent during the approval process, causing certain miscalculations to occur.

Formal review procedures should be better implemented and monitored more closely, which would allow the City's Management to detect miscalculations on a timely basis.

**Officials' Response**

The City will implement review procedures to better monitor compliance with applicable pay rates as specified in their respective City Ordinances.

**CITY OF MARION**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Significant Deficiency- Review of GAAP up Financials	Yes	Local Government Services completed GAAP up for 2007.
2006-002	Significant Deficiency- Deferred Revenue Recognition	Yes	Local Government Services completed GAAP up for 2007.
Ohio Auditor of State	ORC 117.28 - Finding for Recovery	Yes	On March 7, 2008, the former Deputy Auditor's 2007 year end payout was reduced by \$1,173.48 and the amount was credited to the City's General Fund.



**Mary Taylor, CPA**  
Auditor of State

**CITY OF MARION**

**MARION 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  
MAY 28, 2009**