

City of Marysville

Union County

Single Audit

January 1, 2006 through December 31, 2006

**BALESTRA, HARR & SCHERER CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Mary Taylor, CPA  
Auditor of State

City Council  
City of Marysville  
125 East Sixth Street  
Marysville, Ohio 43040

We have reviewed the *Independent Auditor's Report* of the City of Marysville, Union County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2006. 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 Marysville is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 31, 2007

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

City of Marysville  
Union County, Ohio  
125 East Sixth Street  
Marysville, Ohio 43040

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 Marysville, Union County, (the City), as of and for the year ended December 31, 2006, 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, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General, City Gate Project TIF, and Coleman's Crossing TIF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007, 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 grant 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 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits 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.

As described in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 46, *Net Assets Restricted by Enabling Legislation* and No. 47, *Accounting for Termination Benefits*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
June 29, 2007

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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The discussion and analysis of the City of Marysville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$2,964,067. Net assets of governmental activities increased \$715,585, which represents a 2.39 percent increase from 2005. Net assets of business-type activities increased \$2,248,482 or 6.95 percent from 2005.
- Total assets of governmental activities increased \$6,065,611, which represents an 11.90 percent increase from 2005. Total liabilities of governmental activities increased \$5,350,026, or 25.45 percent. Both increases are attributable to increases in debt and borrowed resources for economic development and street infrastructure improvements.
- Total assets of business-type activities increased \$24,319,285, which represents a 20.62 percent increase from 2005. Total liabilities of business-type activities increased \$22,070,803, or 25.79 percent. Both increases are attributable primarily to increases in debt for the continued construction costs of a new sanitary sewer plant, trunk interceptor sewer, and transmission lines from the existing plant.
- In total, cash and cash equivalents increased \$16,155,781 or 19.78 percent. Total cash and cash equivalents of governmental activities increased \$4,882,102 or 72.51 percent, while cash and cash equivalents in business-type activities increased \$11,273,679 or 15.05 percent. These increases again were due to borrowed monies to be used for capital improvements which were not expended prior to fiscal year-end.
- Overall, the book value of capital assets increased by \$14,150,255. Total capital assets from governmental activities increased by \$1,224,724 or 3.1 percent. Capital assets from business-type activities increased by \$12,925,531 or 31.09 percent. These increases were due to increased investment in capital assets including approximately \$2,000,000 in street repairs and improvements and construction in progress on the Water Reclamation Facility (wastewater treatment plant).

**Using the Annual Financial Report**

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

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

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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**Reporting the City of Marysville as a Whole**

Statement of Net Assets and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

- **Governmental Activities** - Most of the City's services are reported as governmental activities including police, fire, administration, and all departments with the exception of business-type activities (sanitation, wastewater treatment, water services, and stormwater management).
- **Business-Type Activities** - These services have a charge based upon usage. The City charges fees to recoup the cost of the entire operation of the Water Plant and Wastewater Treatment Plant as well as all capital expenses associated with these facilities. The City also charges fees to recoup the cost of disposal of solid waste, leaf and brush removal and also a fee to provide for improvements to the City's storm-water removal system.

**Reporting the City of Marysville's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents; however, fund financial statements focus on the City's most significant funds. The City of Marysville's major funds are the General Fund, the Coleman's Crossing TIF Fund, the Debt Service Fund, the City Gate TIF Project Fund, and the Sewer and Water enterprise funds.

**Governmental Funds** - Most of the City's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the year-end balances available for spending in the future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services provided. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future on services provided to residents. The relationships between governmental activities reported in the statement of net assets and the statement of activities and the governmental fund statements are reconciled in the financial statements.

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

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

**The City of Marysville as a Whole**

The statement of net assets reviews the City as a whole. The following table is a summary of the City's net assets for 2006 and 2005.

	Net Assets (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and Other Assets	\$16,273.1	\$11,432.2	\$87,760.0	\$76,366.3	\$104,033.1	\$87,798.5
Capital Assets, Net	40,781.4	39,556.6	54,502.2	41,576.7	95,283.6	81,133.3
<b>Total Assets</b>	<b>57,054.5</b>	<b>50,988.8</b>	<b>142,262.2</b>	<b>117,943.0</b>	<b>199,316.7</b>	<b>168,931.8</b>
<b>Liabilities</b>						
Current and Other Liabilities	(17,672.0)	(2,575.0)	(5,364.0)	(56,603.0)	(23,036.0)	(59,178.0)
Long-Term Liabilities						
Due within One Year	(849.8)	(10,309.2)	(1,320.7)	(1,296.0)	(2,170.5)	(11,605.2)
Due in More Than One Year	(7,848.9)	(8,136.5)	(100,975.6)	(27,690.5)	(108,824.5)	(35,827.0)
<b>Total Liabilities</b>	<b>(26,370.7)</b>	<b>(21,020.7)</b>	<b>(107,660.3)</b>	<b>(85,589.5)</b>	<b>(134,031.0)</b>	<b>(106,610.2)</b>
<b>Net Assets</b>						
Invested in Capital Assets Net of Restricted for:	21,504.7	21,744.0	12,881.0	20,628.8	34,385.7	42,372.8
Capital Projects	3,827.3	600.6	0.0	0.0	3,827.3	600.6
Debt Service	34.6	118.3	0.0	0.0	34.6	118.3
Other Purposes	2,892.7	2,549.1	0.0	0.0	2,892.7	2,549.1
Sewer Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Sewer Replacement and	0.0	0.0	72,674.0	63,409.6	72,674.0	63,409.6
Water Replacement and	0.0	0.0	4,377.5	3,388.7	4,377.5	3,388.7
Future Debt	0.0	0.0	0.0	0.0	0.0	0.0
Unrestricted	2,424.5	4,956.1	(55,330.6)	(55,073.6)	(52,906.1)	(50,117.5)
<b>Total Net Assets</b>	<b>\$30,683.8</b>	<b>\$29,968.1</b>	<b>\$34,601.9</b>	<b>\$32,353.5</b>	<b>\$65,285.7</b>	<b>\$62,321.6</b>

Total governmental activities assets increased \$6,065,611. Equity in pooled cash and cash equivalents for governmental activities increased \$4,882,102. These changes are due primarily to increased expenditures for capital assets as well as continued investment in street improvements. At year end the City was holding in excess of \$3.5 million cash and cash equivalents to be used for infrastructure improvements in the City Gate TIF District.

Total assets of the City's business type activities increased significantly (\$24,319,285) with increased growth and development, debt issued at year-end for 2007 sewer improvements, and capacity fee increases enacted during 2006. The largest increase was in Cash and Cash Equivalents (\$11,273,679) and is related to additional bond debt issued to finance ongoing sewer plant improvements and construction of a new plant and transmission line. The City also saw an increase in capital assets (\$12,925,531) due to ongoing construction projects.

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

Table 2 shows the changes in net assets for the year ended December 31, 2006.

	Changes in Net Assets (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$2,357.4	\$1,806.0	\$14,281.9	\$13,303.6	\$16,639.3	\$15,109.6
Operating Grants, Contributions, and Interest	1,038.3	1,027.8	0.0	0.0	1,038.3	1,027.8
Capital Grants and Contributions	158.8	1,046.1	600.0	0.0	758.8	1,046.1
General Revenues						
Property Taxes	1,776.5	1,721.3	0.0	0.0	1,776.5	1,721.3
Municipal Income Taxes	7,298.7	6,762.3	0.0	0.0	7,298.7	6,762.3
Grants and Entitlements	570.9	802.4	0.0	0.0	570.9	802.4
Other	1,574.3	1,240.8	2,454.4	94.6	4,028.7	1,335.4
Total Revenues	<u>14,774.9</u>	<u>14,406.7</u>	<u>17,336.3</u>	<u>13,398.2</u>	<u>32,111.2</u>	<u>27,804.9</u>
<b>Program Expenses</b>						
General Government	2,184.5	1,959.3	0.0	0.0	2,184.5	1,959.3
Security of Persons and Property						
Police	3,046.4	3,042.1	0.0	0.0	3,046.4	3,042.1
Fire	2,971.4	2,932.9	0.0	0.0	2,971.4	2,932.9
Other	573.4	552.4	0.0	0.0	573.4	552.4
Public Health Services	486.2	422.9	0.0	0.0	486.2	422.9
Leisure Time Activities	394.3	313.4	0.0	0.0	394.3	313.4
Transportation	2,525.6	2,432.9	0.0	0.0	2,525.6	2,432.9
Community Environment	874.6	976.3	0.0	0.0	874.6	976.3
Interest and Fiscal Charges	1,002.9	721.0	0.0	0.0	1,002.9	721.0
Sanitation	0.0	0.0	1,124.5	866.2	1,124.5	866.2
Sewer	0.0	0.0	10,067.0	5,934.4	10,067.0	5,934.4
Water	0.0	0.0	3,633.3	3,313.4	3,633.3	3,313.4
Stormwater	0.0	0.0	263.0	179.7	263.0	179.7
Total Expenses	<u>14,059.3</u>	<u>13,353.2</u>	<u>15,087.8</u>	<u>10,293.7</u>	<u>29,147.1</u>	<u>23,646.9</u>
Increase in Net Assets	715.6	1,053.5	2,248.5	3,104.5	2,964.1	4,158.0
Net Assets Beginning of Year	<u>29,968.2</u>	<u>28,914.7</u>	<u>32,353.4</u>	<u>29,248.9</u>	<u>62,321.6</u>	<u>58,163.6</u>
Net Assets End of Year	<u>\$30,683.8</u>	<u>\$29,968.2</u>	<u>\$34,601.9</u>	<u>\$32,353.4</u>	<u>\$65,285.7</u>	<u>\$62,321.6</u>

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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**Governmental Activities**

Several revenue sources fund governmental activities, with income taxes generally being the biggest contributor. The income tax rate of 1 percent was enacted in 1968. The income tax revenue for 2006 (accrual basis) was approximately \$7.3 million. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 86 percent of all general revenues in the governmental activities, the City monitors each of these revenue sources very closely for fluctuations.

The City has historically experienced an increase in income tax collections of approximately 8 percent per year (cash receipts). On a cash basis, the City's income tax receipts increased approximately \$381,963 (5.38%) between 2005 and 2006. On an accrual basis the City's income tax receipts increased \$536,418 (7.93%) between 2005 and 2006.

Security of persons and property, general government, transportation, and water, and sewer services are the major activities of the City, comprising approximately 86 percent of total expenses.

Although the City has worked diligently to increase its income tax base, it still continues to strive to provide better service at a lower cost. The ability of the City to continue to provide quality services without income tax increases rests on City management's ability to keep these costs in line.

**Business-Type Activities**

The City's business-type activities are its sanitation, sewer, water, and storm-water departments. The water and wastewater treatment plants provide services to a resident base in excess of 17,000. The City also provides wastewater treatment for the Village of Milford Center and several small unincorporated areas outside the City limits. The wastewater treatment plant generated operating revenues of \$6,622,852 and had operating expenses of \$4,770,662. The water plant generated operating revenues of \$6,164,941 and had operating expenses of \$3,032,895. The City's goal is to cover the costs of operations as well as building a cash balance in these funds equivalent to one-third of the department's annual operating budget. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financing sources of \$32,286,468 and expenditures and other financing uses of \$27,364,141.

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2006, the City amended its General Fund budget numerous times. All recommendations for a budget change come from the City Finance Director to City Council for review and approval. With the General Fund supporting many of the major activities such as the City's police and fire departments, as well as most general government activities, the General Fund is monitored closely to prevent possible revenue shortfalls or overspending by individual departments.

For the General Fund, original and final budgeted revenues were \$12,898,809. Original budgeted expenditures and other financing uses were \$13,487,016 and final budgeted expenditures and other financing uses were \$14,766,659.

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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**Capital Assets and Debt Administration**

**Capital Assets**

Capital Assets at December 31, 2006  
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$1,084.7	\$1,084.7	\$4,142.2	\$1,668.5	\$5,226.9	\$2,753.2
Buildings	1,720.9	1,799.1	5,524.3	5,761.2	7,245.2	7,560.3
Improvements Other than Buildings	1,102.7	1,079.6	5,462.9	1,016.0	6,565.6	2,095.6
Computers and Computer Equipment	93.1	69.5	33.8	56.6	126.9	126.1
Furniture and Equipment	457.3	517.6	432.6	288.4	889.9	806.0
Vehicles	1,582.6	1,454.0	554.3	468.8	2,136.9	1,922.8
Infrastructure						
Bridges	123.9	127.8	0.0	0.0	123.9	127.8
Roads	22,408.6	21,845.6	0.0	0.0	22,408.6	21,845.6
Storm Sewer	2,207.9	2,281.1	0.0	0.0	2,207.9	2,281.1
Sewer Lines	0.0	0.0	10,136.2	10,507.1	10,136.2	10,507.1
Water Lines	0.0	0.0	16,614.6	17,205.0	16,614.6	17,205.0
Other	7,485.8	7,686.3	0.0	0.0	7,485.8	7,686.3
Construction in Progress	2,513.9	1,611.3	11,601.3	4,605.1	14,115.2	6,216.4
Totals	<u>\$40,781.4</u>	<u>\$39,556.6</u>	<u>\$54,502.2</u>	<u>\$41,576.7</u>	<u>\$95,283.6</u>	<u>\$81,133.3</u>

The increase noted in governmental funds was due primarily to construction projects tied to economic development and increased expenditures for upgrades to vehicles and equipment utilized throughout the City. The City established several Tax Incremental Financing districts during 2005 and 2006 to generate economic development and provide a mechanism for infrastructure improvement. The increase seen in the business-type activities is due to construction costs for repairs and improvements in the sewer and water funds. The City has begun the construction phases for a new wastewater treatment facility as well as construction of an up-ground reservoir. Both of these projects will be under construction in 2007 and 2008.

See Note 10 to the basic financial statements for more information on the City's capital assets.

**Debt**

At December 31, 2006, the City of Marysville had approximately \$130.0 million in bonds, notes, claims, judgments, and compensated absences outstanding, \$21.1 million due within one year.

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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**Capital Assets and Debt Administration (continued)**

Outstanding Debt at December 31, 2006  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Notes	\$14,912.0	\$9,428.1	\$4,053.4	\$55,594.0	\$18,965.4	\$65,022.1
General Obligation Bonds	7,970.0	8,385.0	2,733.2	3,113.2	10,703.2	11,498.2
Mortgage Revenue Bonds	0.0	0.0	99,255.8	25,640.6	99,255.8	25,640.6
OPWC Loans	0.0	0.0	65.4	0.0	65.4	0.0
Compensated Absences and Capital Leases	728.7	632.6	241.9	232.8	970.6	865.4
<b>Total</b>	<b>\$23,610.7</b>	<b>\$18,445.7</b>	<b>\$106,349.7</b>	<b>\$84,580.6</b>	<b>\$129,960.4</b>	<b>\$103,026.3</b>

The general obligation bonds supported by governmental activities were for multiple City improvements financed with bond anticipation notes during the late 1990s. Many of these projects were for the extension of infrastructure and services to the large annexation of land in 1998. These monies were also used to refurbish several City streets (Grove Street, Raymond Road) and for the construction of the Public Service Center. These bonds will be repaid by the general operating revenues (income and property taxes) of the City.

The general obligation bonds supported by business-type activities were for plant expansion and renovation of the water and sewer utilities. The mortgage revenue bonds were issued primarily for (1) refinancing the purchase of the water treatment plant, vehicles, and related infrastructure from the Ohio Water Company in 1991, (2) refinancing the expansion of the wastewater treatment plant in 1992, (3) infrastructure expansion required by the large annexation of land in 1998, and (4) construction of a Water Reclamation Facility and trunk sewer in 2006. These bonds are paid by water and sewer revenues collected from the City's utility customers for provision of water for consumption and wastewater treatment.

The City's overall legal debt margin was \$21,525,922 at December 31, 2006.

See Notes 17 and 18 to the basic financial statements for more information on the City's long term debt and notes payable.

**The Future**

The City of Marysville continues to work diligently to increase revenues and decrease costs to put the City on more stable footing. Between 1990 and 2000, the City of Marysville grew from a community of 9,500 to a community approaching 16,000 residents and the growth has continued with current population estimates showing the City in excess of 17,000 residents.

The City has made a commitment not to borrow additional monies for assets with a short useful life. As funding becomes available the City hopes to replace the fire station with a new facility and refurbish the existing building to house other City departments.

The City has worked hard to refinance the debt load and roll short-term notes subject to interest risk into long-term bonds. This move from short-term debt to long-term bonds will reduce the volatility often experienced with reissuing short-term notes at varying interest rates and also commits the City to making scheduled principal payments. This will ensure we begin the process of repaying the City's obligations.

In conclusion, the City of Marysville has committed itself to financial excellence in the coming years. Our commitment to the residents of the City of Marysville should always be full disclosure of the financial position of the City.

**City of Marysville**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to John Morehart, City Finance Director, 125 East Sixth Street, Marysville, Ohio, 43040, (937) 642-6015, or e-mail at [jmorehart@marysvilleohio.org](mailto:jmorehart@marysvilleohio.org).

**City of Marysville**  
*Statement of Net Assets*  
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$11,614,954	\$83,227,239	\$94,842,193
Cash and Cash Equivalents with Fiscal Agent	0	2,977,788	2,977,788
Property Taxes Receivable	1,712,852	0	1,712,852
Municipal Income Taxes Receivable	1,418,943	0	1,418,943
Accounts Receivable	290,432	1,370,743	1,661,175
Special Assessments Receivable	253,200	0	253,200
Interest Receivable	40,776	53,221	93,997
Due from Other Governments	857,794	20,000	877,794
Prepaid Items	84,174	111,043	195,217
Non-depreciable Capital Assets, Net	3,598,634	15,743,566	19,342,200
Depreciable Capital Assets, Net	37,182,724	38,758,652	75,941,376
<b>Total Assets</b>	<b>57,054,483</b>	<b>142,262,252</b>	<b>199,316,735</b>
<u>Liabilities</u>			
Accrued Wages Payable	113,620	45,019	158,639
Accounts Payable	83,527	204,637	288,164
Contracts Payable	31,050	197,026	228,076
Due to Other Governments	548,517	100,636	649,153
Accrued Interest Payable	245,566	425,213	670,779
Notes Payable	14,911,984	4,053,413	18,965,397
Retainage Payable	89,091	338,086	427,177
Deferred Revenue	1,648,666	0	1,648,666
Long-Term Liabilities:			
Due Within One Year	849,804	1,320,713	2,170,517
Due in More than One Year	7,848,884	100,975,589	108,824,473
<b>Total Liabilities</b>	<b>26,370,709</b>	<b>107,660,332</b>	<b>134,031,041</b>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	21,504,703	12,880,967	34,385,670
Restricted for:			
Capital Projects	3,827,295	0	3,827,295
Debt Service	34,638	0	34,638
Other Purposes	2,892,694	0	2,892,694
Sewer Replacement and Improvement	0	72,673,997	72,673,997
Water Replacement and Improvement	0	4,377,524	4,377,524
Unrestricted (Deficit)	2,424,444	(55,330,568)	(52,906,124)
<b>Total Net Assets</b>	<b>\$30,683,774</b>	<b>\$34,601,920</b>	<b>\$65,285,694</b>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Statement of Activities*  
For the Year Ended December 31, 2006

	Program Revenues				Net (Expense) Revenue and Change in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<u>Governmental Activities</u>							
General Government	\$2,184,451	\$381,997	\$47,600	\$0	(\$1,754,854)	\$0	(\$1,754,854)
Security of Persons and Property:							
Police	3,046,370	164,897	99,178	0	(2,782,295)	0	(2,782,295)
Fire	2,971,360	826,557	33,084	0	(2,111,719)	0	(2,111,719)
Other	573,415	652,596	64,287	0	143,468	0	143,468
Public Health Services	486,248	62,746	0	0	(423,502)	0	(423,502)
Leisure Time Activities	394,331	251,257	0	0	(143,074)	0	(143,074)
Transportation	2,525,637	0	794,118	36,200	(1,695,319)	0	(1,695,319)
Community Environment	874,592	17,345	0	122,622	(734,625)	0	(734,625)
Interest and Fiscal Charges	1,002,941	0	0	0	(1,002,941)	0	(1,002,941)
<b>Total Governmental Activities</b>	<b>14,059,345</b>	<b>2,357,395</b>	<b>1,038,267</b>	<b>158,822</b>	<b>(10,504,861)</b>	<b>0</b>	<b>(10,504,861)</b>
<u>Business-Type Activities</u>							
Sanitation	1,124,480	1,121,201	0	0	0	(3,279)	(3,279)
Sewer	10,067,019	6,544,342	0	600,000	0	(2,922,677)	(2,922,677)
Water	3,633,286	6,130,787	0	0	0	2,497,501	2,497,501
Stormwater Assessment	263,048	485,587	0	0	0	222,539	222,539
<b>Total Business-Type Activities</b>	<b>15,087,833</b>	<b>14,281,917</b>	<b>0</b>	<b>600,000</b>	<b>0</b>	<b>(205,916)</b>	<b>(205,916)</b>
<b>Total</b>	<b>\$29,147,178</b>	<b>\$16,639,312</b>	<b>\$1,038,267</b>	<b>\$758,822</b>	<b>(10,504,861)</b>	<b>(205,916)</b>	<b>(10,710,777)</b>
<u>General Revenues</u>							
Property Taxes					1,776,516	0	1,776,516
Other Local Taxes					116,899	0	116,899
Municipal Income Taxes					7,298,756	0	7,298,756
Grants and Entitlements not Restricted to Specific Programs					570,918	0	570,918
Interest					1,036,575	2,340,070	3,376,645
Contributions and Donations					32,019	0	32,019
Other Revenues					388,763	114,328	503,091
<b>Total General Revenues</b>					<b>11,220,446</b>	<b>2,454,398</b>	<b>13,674,844</b>
<b>Change in Net Assets</b>					<b>715,585</b>	<b>2,248,482</b>	<b>2,964,067</b>
<b>Net Assets Beginning of Year</b>					<b>29,968,189</b>	<b>32,353,438</b>	<b>62,321,627</b>
<b>Net Assets End of Year</b>					<b>\$30,683,774</b>	<b>\$34,601,920</b>	<b>\$65,285,694</b>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2006*

	General Fund	Coleman's Crossing TIF Fund	Debt Service Fund	City Gate TIF Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$5,200,942	\$149	\$27,004	\$3,520,312	\$2,866,547	\$11,614,954
<u>Receivables:</u>						
Property Taxes	1,484,288	0	0	0	228,564	1,712,852
Municipal Income Taxes	1,418,943	0	0	0	0	1,418,943
Accounts	149,381	0	0	0	141,051	290,432
Special Assessments	0	0	253,200	0	0	253,200
Interest	40,434	0	0	0	342	40,776
Due from Other Governments	423,933	0	0	0	433,861	857,794
Prepaid Items	67,263	0	0	0	16,911	84,174
<b>Total Assets</b>	<b>8,785,184</b>	<b>149</b>	<b>280,204</b>	<b>3,520,312</b>	<b>3,687,276</b>	<b>16,273,125</b>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts Payable	0	0	0	26,400	57,127	83,527
Contracts Payable	13,800	0	0	0	17,250	31,050
Retainage Payable	0	0	0	0	89,091	89,091
Accrued Wages Payable	106,453	0	0	0	7,167	113,620
Due to Other Governments	526,097	0	0	0	22,420	548,517
Deferred Revenue	2,305,159	0	253,200	0	603,953	3,162,312
<b>Total Liabilities</b>	<b>2,951,509</b>	<b>0</b>	<b>253,200</b>	<b>26,400</b>	<b>797,008</b>	<b>4,028,117</b>
<u>Fund Balance</u>						
Reserved for Encumbrances	330,564	0	2,203	0	573,856	906,623
<u>Unreserved, Reported in:</u>						
General Fund	5,503,111	0	0	0	0	5,503,111
Special Revenue Funds	0	149	0	0	2,005,824	2,005,973
Debt Service Fund	0	0	24,801	0	0	24,801
Capital Projects Funds	0	0	0	3,493,912	310,588	3,804,500
<b>Total Fund Balance</b>	<b>5,833,675</b>	<b>149</b>	<b>27,004</b>	<b>3,493,912</b>	<b>2,890,268</b>	<b>12,245,008</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$8,785,184</b>	<b>\$149</b>	<b>\$280,204</b>	<b>\$3,520,312</b>	<b>\$3,687,276</b>	<b>\$16,273,125</b>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006*

Total Governmental Fund Balance		\$12,245,008
<p>Amounts reported for governmental activities in the statement of net assets are different due to:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		40,781,358
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property Taxes	64,186	
Municipal Income Taxes	508,058	
Special Assessments	253,200	
Other Local Taxes	27,360	
Misc. Revenue	164	
Intergovernmental Revenue	660,678	
Total	1,513,646	1,513,646
Long-term liabilities, including accrued interest payable and bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(245,566)	
Notes Payable	(14,911,984)	
Compensated Absences Payable	(670,364)	
Capital Leases Payable	(58,324)	
General Obligation Bonds Payable	(7,970,000)	
Total	(23,856,238)	(23,856,238)
Net Assets of Governmental Activities		\$30,683,774

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General Fund	Coleman's Crossing TIF Fund	Debt Service Fund	City Gate TIF Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Property Taxes	\$1,554,204	\$0	\$0	\$0	\$236,282	\$1,790,486
Other Local Taxes	103,398	0	0	0	0	103,398
Municipal Income Taxes	7,560,369	0	0	0	0	7,560,369
Special Assessments	0	0	31,963	0	0	31,963
Charges for Services	916,896	0	0	0	466,366	1,383,262
Fees, Licenses, and Permits	417,903	0	0	0	129,390	547,293
Fines and Forfeitures	421,145	0	0	0	173,824	594,969
Intergovernmental	833,392	0	0	0	923,636	1,757,028
Interest	1,018,786	0	0	0	17,789	1,036,575
Contributions and Donations	26,519	0	0	0	14,500	41,019
Other Revenues	94,454	0	1,890	0	2,493	98,837
<b>Total Revenues</b>	<b>12,947,066</b>	<b>0</b>	<b>33,853</b>	<b>0</b>	<b>1,964,280</b>	<b>14,945,199</b>
<u>Expenditures</u>						
Current:						
General Government	1,847,560	0	0	0	26,774	1,874,334
Security of Persons and Property:						
Police	2,775,184	0	0	0	134,225	2,909,409
Fire	2,313,858	0	0	0	488,037	2,801,895
Other	525,698	0	0	0	32,657	558,355
Leisure Time Activities	232,894	0	0	0	91,939	324,833
Transportation	0	0	0	0	1,007,594	1,007,594
Public Health Services	459,591	0	0	0	7,300	466,891
Community Environment	730,587	0	0	0	113,610	844,197
Capital Outlay	396,897	0	0	1,506,088	1,602,418	3,505,403
Debt Service:						
Principal Retirement	24,306	7,010,580	2,832,527	0	0	9,867,413
Interest and Fiscal Charges	3,269	237,749	515,861	33,650	3,260	793,789
<b>Total Expenditures</b>	<b>9,309,844</b>	<b>7,248,329</b>	<b>3,348,388</b>	<b>1,539,738</b>	<b>3,507,814</b>	<b>24,954,113</b>
Excess of Revenues Over (Under) Expenditures	3,637,222	(7,248,329)	(3,314,535)	(1,539,738)	(1,543,534)	(10,008,914)
<u>Other Financing Sources (Uses)</u>						
Bond Anticipation Notes Issued	0	6,975,000	1,890,000	5,000,000	1,000,000	14,865,000
Proceeds from Sale of Fixed Assets	19,257	0	0	0	0	19,257
Premium on Issuance of Bond	0	0	8,184	33,650	5,150	46,984
Transfers In	0	220,000	1,410,144	0	779,884	2,410,028
Transfers Out	(2,190,028)	0	0	0	(220,000)	(2,410,028)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,170,771)</b>	<b>7,195,000</b>	<b>3,308,328</b>	<b>5,033,650</b>	<b>1,565,034</b>	<b>14,931,241</b>
<b>Net Change in Fund Balance</b>	<b>1,466,451</b>	<b>(53,329)</b>	<b>(6,207)</b>	<b>3,493,912</b>	<b>21,500</b>	<b>4,922,327</b>
<b>Fund Balance Beginning of Year</b>	<b>4,367,224</b>	<b>53,478</b>	<b>33,211</b>	<b>0</b>	<b>2,868,768</b>	<b>7,322,681</b>
<b>Fund Balance End of Year</b>	<b>\$5,833,675</b>	<b>\$149</b>	<b>\$27,004</b>	<b>\$3,493,912</b>	<b>\$2,890,268</b>	<b>\$12,245,008</b>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*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, 2006*

Net Change in Fund Balance - Total Governmental Funds		\$4,922,327
<i>Amounts reported for governmental activities in the statement of activities are different due to:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
		1,279,593
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets:		
Loss on Sale of Capital Assets	(35,612)	
Proceeds from Sale of Capital Assets	<u>(19,257)</u>	
		(54,869)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental Receivable	79,931	
Municipal Income Taxes Receivable	(261,613)	
Property Taxes Receivable	(13,970)	
Other Local Taxes Receivable	13,501	
Miscellaneous Revenue	(6,919)	
Special Assessments Receivable	<u>(31,963)</u>	
		(221,033)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.		
		9,867,413
Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities in the statement of activities.		
		(14,911,984)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(45,471)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences Payable		<u>(120,391)</u>
Change in Net Assets of Governmental Activities		<u><u>\$715,585</u></u>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,605,500	\$1,605,500	\$1,554,204	(\$51,296)
Other Local Taxes	115,000	115,000	94,580	(20,420)
Municipal Income Taxes	7,150,000	7,150,000	7,479,977	329,977
Charges for Services	1,763,951	1,763,951	1,817,298	53,347
Fees, Licenses, and Permits	371,000	371,000	413,526	42,526
Fines and Forfeitures	365,000	365,000	415,946	50,946
Intergovernmental	959,758	959,758	907,141	(52,617)
Interest	425,600	425,600	1,053,509	627,909
Contributions and Donations	33,000	33,000	26,519	(6,481)
Other Revenues	110,000	110,000	50,350	(59,650)
<b>Total Revenues</b>	<b>12,898,809</b>	<b>12,898,809</b>	<b>13,813,050</b>	<b>914,241</b>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	3,533,798	4,013,986	3,550,753	463,233
Security of Persons and Property:				
Police	3,086,435	3,164,952	2,587,802	577,150
Fire	2,922,657	3,007,581	2,639,912	367,669
Other	549,757	552,949	495,342	57,607
Leisure Time Activities	339,528	321,379	297,816	23,563
Community Environment	547,793	686,207	608,560	77,647
Public Health Services	439,905	485,662	458,095	27,567
<b>Total Expenditures</b>	<b>11,419,873</b>	<b>12,232,716</b>	<b>10,638,280</b>	<b>1,594,436</b>
Excess of Revenues Over Expenditures	1,478,936	666,093	3,174,770	2,508,677
<b>Other Financing Sources (Uses)</b>				
Proceeds on Sale of Fixed Assets	0	0	19,257	19,257
Transfers Out	(2,067,143)	(2,533,943)	(2,190,028)	343,915
<b>Total Other Financing Sources (Uses)</b>	<b>(2,067,143)</b>	<b>(2,533,943)</b>	<b>(2,170,771)</b>	<b>363,172</b>
Net Change in Fund Balance	(588,207)	(1,867,850)	1,003,999	2,871,849
Fund Balance Beginning of Year	3,391,708	3,391,708	3,391,708	0
Prior Year Encumbrances Appropriated	343,168	343,168	343,168	0
<b>Fund Balance End of Year</b>	<b>\$3,146,669</b>	<b>\$1,867,026</b>	<b>\$4,738,875</b>	<b>\$2,871,849</b>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget (Non-GAAP Basis) and Actual*  
*Coleman's Crossing TIF Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$90,000	\$90,000	\$0	(\$90,000)
Total Revenues	<u>90,000</u>	<u>90,000</u>	<u>0</u>	<u>(90,000)</u>
<u>Expenditures</u>				
Debt Service:				
Other Debt Service	39,700	39,700	0	39,700
Principal Retirement	6,940,000	6,940,000	6,940,000	0
Interest and Fiscal Charges	<u>276,829</u>	<u>276,829</u>	<u>276,829</u>	<u>0</u>
Total Expenditures	<u>7,256,529</u>	<u>7,256,529</u>	<u>7,216,829</u>	<u>39,700</u>
Excess of Revenues Under Expenditures	<u>(7,166,529)</u>	<u>(7,166,529)</u>	<u>(7,216,829)</u>	<u>(50,300)</u>
<u>Other Financing Sources</u>				
Bond Anticipation Notes Issued	7,216,829	7,216,829	6,943,500	(273,329)
Transfers In	<u>0</u>	<u>220,000</u>	<u>220,000</u>	<u>0</u>
Total Other Financing Sources	<u>7,216,829</u>	<u>7,436,829</u>	<u>7,163,500</u>	<u>(273,329)</u>
Net Change in Fund Balance	50,300	270,300	(53,329)	(323,629)
Fund Balance Beginning of Year	<u>53,478</u>	<u>53,478</u>	<u>53,478</u>	<u>0</u>
Fund Balance End of Year	<u>\$103,778</u>	<u>\$323,778</u>	<u>\$149</u>	<u>(\$323,629)</u>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
**Statement of Net Assets**  
**Enterprise Funds**  
**December 31, 2006**

	Sewer	Water	Other Enterprise Funds	Total
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,044,211	\$4,244,876	\$886,631	\$6,175,718
Accounts Receivable	620,642	603,063	147,038	1,370,743
Due from Other Governments	20,000	0	0	20,000
Accrued Interest	47,840	5,381	0	53,221
Prepaid Items	58,094	49,921	3,028	111,043
<b>Total Current Assets</b>	<b>1,790,787</b>	<b>4,903,241</b>	<b>1,036,697</b>	<b>7,730,725</b>
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	72,673,997	4,377,524	0	77,051,521
Cash and Cash Equivalents with Fiscal Agents	2,562,432	415,356	0	2,977,788
<b>Total Restricted Assets</b>	<b>75,236,429</b>	<b>4,792,880</b>	<b>0</b>	<b>80,029,309</b>
<u>Non-Current Assets</u>				
Land	2,479,735	1,662,500	0	4,142,235
Construction in Progress	10,705,374	895,957	0	11,601,331
Depreciable Capital Assets, Net	18,476,377	19,845,844	436,431	38,758,652
<b>Total Non-Current Assets</b>	<b>31,661,486</b>	<b>22,404,301</b>	<b>436,431</b>	<b>54,502,218</b>
<b>Total Assets</b>	<b>108,688,702</b>	<b>32,100,422</b>	<b>1,473,128</b>	<b>142,262,252</b>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	14,820	26,975	3,224	45,019
Accounts Payable	128,692	48,671	27,274	204,637
Contracts Payable	169,747	27,279	0	197,026
Due to Other Governments	44,061	44,722	11,853	100,636
Retainage Payable	338,086	0	0	338,086
Accrued Interest Payable	338,038	87,175	0	425,213
Notes Payable	2,092,075	1,961,338	0	4,053,413
Capital Leases Payable	3,568	647	0	4,215
Compensated Absences Payable	64,784	59,520	7,051	131,355
Ohio Public Works Commission Loan Payable	7,927	0	0	7,927
General Obligation Bonds Payable	168,072	226,928	0	395,000
Mortgage Revenue Bonds Payable	220,000	562,216	0	782,216
<b>Total Current Liabilities</b>	<b>3,589,870</b>	<b>3,045,471</b>	<b>49,402</b>	<b>6,684,743</b>
<u>Non-Current Liabilities</u>				
Capital Leases Payable	2,477	223	0	2,700
Compensated Absences Payable	21,635	73,969	8,012	103,616
Ohio Public Works Commission Loans Payable	57,493	0	0	57,493
General Obligation Bonds Payable	966,039	1,372,114	0	2,338,153
Mortgage Revenue Bonds Payable	87,659,316	10,814,311	0	98,473,627
<b>Total Non-Current Liabilities</b>	<b>88,706,960</b>	<b>12,260,617</b>	<b>8,012</b>	<b>100,975,589</b>
<b>Total Liabilities</b>	<b>92,296,830</b>	<b>15,306,088</b>	<b>57,414</b>	<b>107,660,332</b>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	4,978,012	7,466,524	436,431	12,880,967
Restricted for:				
Sewer Replacement and Improvement	72,673,997	0	0	72,673,997
Water Replacement and Improvement	0	4,377,524	0	4,377,524
Unrestricted (Deficit)	(61,260,137)	4,950,286	979,283	(55,330,568)
<b>Total Net Assets</b>	<b>\$16,391,872</b>	<b>\$16,794,334</b>	<b>\$1,415,714</b>	<b>\$34,601,920</b>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Enterprise Funds*  
For the Year Ended December 31, 2006

	Sewer	Water	Other Enterprise Funds	Total
<u>Operating Revenues</u>				
Charges for Services	\$6,544,342	\$6,130,787	\$1,606,788	\$14,281,917
Other Revenues	78,510	34,154	1,664	114,328
Total Operating Revenues	<u>6,622,852</u>	<u>6,164,941</u>	<u>1,608,452</u>	<u>14,396,245</u>
<u>Operating Expenses</u>				
Personal Services	1,114,077	1,071,883	317,757	2,503,717
Contractual Services	2,330,285	682,344	848,241	3,860,870
Materials and Supplies	464,186	522,802	111,936	1,098,924
Other Expenses	187,135	68,825	62,801	318,761
Depreciation	674,979	687,041	46,793	1,408,813
Total Operating Expenses	<u>4,770,662</u>	<u>3,032,895</u>	<u>1,387,528</u>	<u>9,191,085</u>
Operating Income	<u>1,852,190</u>	<u>3,132,046</u>	<u>220,924</u>	<u>5,205,160</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue	2,295,772	44,298	0	2,340,070
Interest Expense	<u>(5,296,357)</u>	<u>(600,391)</u>	<u>0</u>	<u>(5,896,748)</u>
Total Non-Operating Revenues (Expenses)	<u>(3,000,585)</u>	<u>(556,093)</u>	<u>0</u>	<u>(3,556,678)</u>
Income (Loss) before Contributions	(1,148,395)	2,575,953	220,924	1,648,482
Capital Contributions	<u>600,000</u>	<u>0</u>	<u>0</u>	<u>600,000</u>
Change in Net Assets	(548,395)	2,575,953	220,924	2,248,482
Net Assets Beginning of Year	<u>16,940,267</u>	<u>14,218,381</u>	<u>1,194,790</u>	<u>32,353,438</u>
Net Assets End of Year	<u>\$16,391,872</u>	<u>\$16,794,334</u>	<u>\$1,415,714</u>	<u>\$34,601,920</u>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended December 31, 2006**

	Sewer	Water	Other Enterprise Funds	Total
Increases in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$6,328,261	\$6,063,833	\$1,593,989	\$13,986,083
Cash Received from Other Revenues	302,660	34,154	1,664	338,478
Cash Payments for Personal Services	(1,107,143)	(1,043,406)	(316,627)	(2,467,176)
Cash Payments to Suppliers	(2,799,824)	(1,219,517)	(948,018)	(4,967,359)
Cash Payments for Other Expenses	(187,135)	(68,825)	(62,801)	(318,761)
Net Cash Provided by Operating Activities	<u>2,536,819</u>	<u>3,766,239</u>	<u>268,207</u>	<u>6,571,265</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on General Obligation Bonds	(171,532)	(208,468)	0	(380,000)
Interest Paid on General Obligation Bonds	(40,645)	(49,288)	0	(89,933)
Principal Paid on Mortgage Revenue Bonds	(13,934,904)	(547,216)	0	(14,482,120)
Interest Paid on Mortgage Revenue Bonds	(977,072)	(481,315)	0	(1,458,387)
Principal Paid on Bond Anticipation Notes	(55,594,000)	0	0	(55,594,000)
Interest Paid on Bond Anticipation Notes	(2,468,125)	0	0	(2,468,125)
Principal Paid on OPWC Loans	(7,927)	0	0	(7,927)
Principal Paid on Capital Leases	(2,409)	(314)	0	(2,723)
Interest Paid on Capital Leases	(885)	(118)	0	(1,003)
OPWC Notes Issued	73,347	0	0	73,347
Mortgage Revenue Bonds Issued	88,097,394	0	0	88,097,394
Bond Anticipation Notes Issued	2,092,075	1,961,338	0	4,053,413
Debt Issuance Costs	(1,585,551)	(5,620)	0	(1,591,171)
Proceeds From Sale of Capital Assets	2,669	0	0	2,669
Acquisition of Capital Assets	(11,413,463)	(2,188,435)	(133,971)	(13,735,869)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>4,068,972</u>	<u>(1,519,436)</u>	<u>(133,971)</u>	<u>2,415,565</u>
<u>Cash Flows from Investing Activities</u>				
Interest	<u>2,247,932</u>	<u>38,917</u>	<u>0</u>	<u>2,286,849</u>
Net Cash Provided by Investing Activities	<u>2,247,932</u>	<u>38,917</u>	<u>0</u>	<u>2,286,849</u>
Net Increase in Cash and Cash Equivalents	8,853,723	2,285,720	134,236	11,273,679
Cash and Cash Equivalents Beginning of Year	<u>67,426,917</u>	<u>6,752,036</u>	<u>752,395</u>	<u>74,931,348</u>
Cash and Cash Equivalents End of Year	<u><u>\$76,280,640</u></u>	<u><u>\$9,037,756</u></u>	<u><u>\$886,631</u></u>	<u><u>\$86,205,027</u></u>

(Continued)

**City of Marysville**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2006  
(Continued)

	Sewer	Water	Other Enterprise Funds	Total
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>				
Operating Income	\$1,852,190	\$3,132,046	\$220,924	\$5,205,160
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	674,979	687,041	46,793	1,408,813
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(216,081)	(209,454)	(12,799)	(438,334)
(Increase) Decrease in Due from Other Governments	224,150	142,500	0	366,650
(Increase) Decrease in Prepaid Items	1,490	3,945	(605)	4,830
Increase (Decrease) in Accounts Payable	23,905	(11,799)	12,764	24,870
Increase (Decrease) in Contracts Payable	(331,156)	6,749	0	(324,407)
Increase (Decrease) in Retainage Payable	300,408	(13,266)	0	287,142
Increase (Decrease) in Accrued Wages Payable	549	14,113	(446)	14,216
Increase (Decrease) in Due to Other Governments	3,875	6,419	192	10,486
Increase (Decrease) in Compensated Absences Payable	2,510	7,945	1,384	11,839
Net Cash Provided by Operating Activities	<u>\$2,536,819</u>	<u>\$3,766,239</u>	<u>\$268,207</u>	<u>\$6,571,265</u>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2006*

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	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$10,380
Cash and Cash Equivalents in Segregated Accounts	<u>134,378</u>
Total Assets	<u><u>144,758</u></u>
<u>Liabilities:</u>	
Undistributed Assets	<u>144,758</u>
Total Liabilities	<u><u>\$144,758</u></u>

See Accompanying Notes to the Basic Financial Statements

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 1 - REPORTING ENTITY**

The City of Marysville is a charter municipal corporation founded in 1837, with the charter adopted by the electors on December 1, 1960, and updated on November 8, 2005. The City may exercise all powers of home rule granted under Article XVIII, Section 3 of the Ohio Constitution not in conflict with applicable general laws of Ohio.

The City operates under a council/mayor/administrator form of government. Services provided include general administration as well as police, fire, ambulance, municipal court, engineering, planning and zoning, street maintenance and repair, parks and recreation, a cemetery, and sanitation, sewer, water, and storm-water utilities.

**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 consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Marysville, this includes the Marysville Municipal Court and all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations 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 Marysville in 2006.

The City is associated with the Marysville/Union County Joint Recreation District and the Union County Community Improvement Corporation; each are jointly governed organizations. These organizations are more fully described in Note 20 to the basic financial statements.

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

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. 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 enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989 to its governmental and business-type activities and enterprise funds.

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide financial 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 in nature and those that are considered business-type activities.

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

A. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

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 not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

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 purpose 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 General Fund, Coleman's Crossing Tax Incremental Financing (TIF) Fund, the Debt Service Fund, and the City Gate TIF Project Fund are the City's only 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 city charter and/or the general laws of Ohio.

Coleman's Crossing TIF Fund - The Coleman's Crossing TIF Fund is a special revenue fund used to account for the debt proceeds used for and the incremental tax receipts realized by the development of the Coleman's Crossing area. These proceeds will be utilized to repay the debt issued for completion of this project.

Debt Service Fund - The Debt Service Fund is utilized by the City to accumulate resources for repayment of the City's debt related to governmental activities. Revenues of this fund include a transfer of general operating monies from the General Fund of the City as well as debt proceeds utilized to refund debt issued in prior years.

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

**B. Fund Accounting** (continued)

**Governmental Funds** (continued)

City Gate TIF Project Fund - The City Gate TIF Project Fund is a capital projects fund used to account for the debt proceeds used for infrastructure improvements in the City Gate development area.

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

**Proprietary Funds**

Proprietary funds focus on the changes in net assets, financial position, and cash flows. The City's proprietary funds are enterprise funds.

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

Sewer Fund - The sewer fund accounts for the provision of wastewater collection and treatment service to residents and commercial users within the City service area.

Water Fund - The water fund accounts for the provision of water treatment and distribution to residential and commercial users within the City service area.

In addition the City provides solid waste disposal service to residents and certain commercial users within the City. The City has also established a storm-water utility to provide resources for the improvement of the City's surface water drainage system. These utilities are accounted for in a Sanitation Fund and a Storm-water Assessment Fund.

**Fiduciary Funds**

Fiduciary funds focus on net assets and changes in net assets. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2006. The City's agency funds, which account for fees charged by the law library, municipal court operations, and unclaimed funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**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.

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

C. Measurement Focus (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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance 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. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, all enterprise 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 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 enterprise 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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, municipal income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from municipal income taxes is recognized in the period in which the income is earned. 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 the modified accrual basis, revenue from a non-exchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: municipal income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax), grants, and interest.

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

D. Basis of Accounting (continued)

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2006, but were levied to finance 2007 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 also reflected as deferred revenue.

Expenses/Expenditures

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

E. Budgets

An annual appropriated budget is legally required to be prepared for all funds of the City, other than agency funds. City Council passes appropriations at the department/object level. City Council must approve any budget revisions that alter the appropriations at the legal level of budgetary control. The following procedures are used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

Unless specifically waived by the County Budget Commission, a budget of estimated revenues and expenditures for all funds, other than agency funds, is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. If the requirement to file this tax budget is waived by the County Budget Commission, other financial documentation may be requested for review of the City's financial status.

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

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

E. Budgets (continued)

Appropriations

A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriations ordinance may be supplemented during the year, by City Council action, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year, numerous supplemental appropriations ordinances were passed by City Council. The amounts reported as the original budgeted amounts in the statement of budgetary comparisons reflect the first appropriated budget that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparisons represent the final appropriation amounts passed during the year, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding year and are not re-appropriated.

Encumbrances

As part of formal budgetary control purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures of governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the City, and not included in the City Treasury, are recorded as "Cash and Cash Equivalents in Segregated Accounts".

The City utilizes financial institutions as trustees to service its mortgage revenue bonded debt as principal and interest payments come due. Money held by trustees is invested in mutual funds and is presented as "Cash and Cash Equivalents with Fiscal Agents".

Investments are reported at fair value, except for repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows 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, 2006.

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 2006 was \$1,018,786, which includes \$932,778 assigned from other City funds.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

**F. Cash and Investments** (continued)

For purposes of the statement of cash flows and for presentation on the balance sheet/statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method. This includes recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Restricted Assets**

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

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise funds. These assets generally result from expenditures in the governmental funds. These 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 in both the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of one thousand dollars (\$1,000). The City's infrastructure consists of streets, bridges, storm and sanitary sewer lines, and water lines. Improvements are capitalized. Interest incurred during the construction of fund capital assets is also capitalized.

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 replacements. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40 years	40 years
Improvements Other Than Buildings	15 years	15 years
Computers and Computer Equipment	5 to 10 years	5 to 10 years
Furniture and Equipment	5 to 10 years	5 to 10 years
Vehicles	5 to 10 years	10 years
Infrastructure	40 years	40 years

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

**J. Inter-fund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "Inter-fund Receivables/Payables". Inter-fund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only inter-fund 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". There were no inter-fund receivables/payables at December 31, 2006.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable 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 the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service with the City.

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

On fund financial statements for governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise 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. Notes, capital leases, and bonds are recognized as liabilities on the fund financial statements when due.

**M. Fund Balance Reserves**

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Encumbrances are recorded as a reservation of fund balance.

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

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings 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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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.

Restricted for other purposes represents balances of state and federal grants in special revenue funds.

The City's sewer and water enterprise funds have restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements.

Of the City's restricted net assets of \$83,806,148, \$12,558,028 was restricted by enabling legislation.

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for sanitation, sewer, water, and storm-water utility services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund.

**P. Capital Contributions**

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

**Q. Inter-fund Transactions**

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

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during 2006.

**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.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 3 –NEW GASB PRONOUNCEMENTS**

For the year ended December 31, 2006, the City implemented GASB Statements No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*. The implementation of GASB Statements No. 46 and 47 had no effect on the prior period fund balances or net assets of the City.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General and Major Special Revenue Fund are as follows:

	Net Change in Fund Balance	
	General Fund	Coleman's Crossing TIF Fund
GAAP Basis	\$1,466,451	(\$53,329)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals	865,984	31,500
Expenditure Accruals	(860,888)	(31,500)
Encumbrances Outstanding At Year-End (Budget Basis)	(467,548)	0
Budget Basis	\$1,003,999	(\$53,329)

**NOTE 5 - 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 City 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.

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

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

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

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

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

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

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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

**Cash on Hand**

At year-end, the City had \$6,547 in undeposited cash on hand which is included on the statement of net assets and balance sheet as part of "Equity in Pooled Cash and Cash Equivalents".

**Deposits**

At year-end, the carrying amount of the City's deposits was \$7,871,954 and the bank balance was \$8,264,308. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining balance of \$8,064,308 was collateralized with securities held in single financial institution collateral pools in the name of the respective depository bank and pledged as a pool of collateral against all of the public moneys it holds.

**Investments**

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the City or the City's agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Mutual funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Uncategorized	Category 1	Category 2	Fair Value	Weighted Average Maturity (Years)
Money Market	\$0	\$0	\$1,373,921	\$1,373,921	N/A
Certificates of Deposit	0	0	99,218	99,218	N/A
Federal Home Loan Bank	0	19,579,793	0	19,579,793	<1 year
Federal Home Loan Bank	0	18,064,306	0	18,064,306	1-3 years
Federal Farm Credit	0	3,909,152	0	3,909,152	1-3 years
Federal Home Loan Mortgage Corporation	0	8,004,232	0	8,004,232	<1 year
Federal Home Loan Mortgage Corporation	0	6,428,060	0	6,428,060	1-3 years
Federal National Mortgage Association	0	1,474,925	0	1,474,925	<1 year
Federal National Mortgage Association	0	12,685,134	0	12,685,134	1-3 years
Federal National Mortgage Association	0	2,500,000	0	2,500,000	>3 years
STAR Ohio	15,967,497	0	0	15,967,497	N/A
<b>Total</b>	<b>\$15,967,497</b>	<b>\$72,645,602</b>	<b>\$1,473,139</b>	<b>\$90,086,238</b>	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City limits its investments to money market accounts, U.S. Government Agency Securities and STAR Ohio. Investments in U.S. Government Agency Securities were rated AAA by Standard and Poor’s. Investments in STAR Ohio were rated AAAM by Standard & Poor’s.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The City has invested 80.5% of its investments in U.S. Government Agency Securities, 18.3% in STAR Ohio, and 1.2% in money market accounts and certificates of deposit.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk.

All of the City’s investments are either insured and registered in the name of the City or at least registered in the name of the City.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$97,964,739	\$0
Cash on Hand	(6,547)	0
Investments:		
Money Market	(1,373,921)	1,373,921
Federal Agency Securities	(72,645,602)	72,645,602
Certificates of Deposit	(99,218)	99,218
STAR Ohio	(15,967,497)	15,967,497
GASB Statement No. 3	\$7,871,954	\$90,086,238

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2006 represent the collection of 2005 taxes. For 2006, real property taxes were levied after October 1, 2005, on the assessed values as of January 1, 2006, the lien date. These taxes will be collected in and are intended to finance 2007 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 6 - PROPERTY TAXES (continued)**

Public utility real and tangible personal property taxes for 2006 were levied after October 1, 2006, on the assessed values as of December 31, 2005. These taxes will be collected in and are intended to finance 2007 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. For 2006, tangible personal property taxes were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 Marysville. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2006 operations.

The full tax rate for all City operations for the year ended December 31, 2006, was \$5.20 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Agricultural/Residential	\$ 247,262,120
Commercial/Industrial	102,489,260
Public Utility Real	98,240
Public Utility Personal	9,619,100
Tangible Personal	46,277,082
Total Assessed Value	<u>\$ 405,745,802</u>

**NOTE 7 - MUNICIPAL INCOME TAXES**

The City levies an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. Prior to January 1, 2005, the City allowed a credit of up to 50 percent of the tax paid to another municipality, not to exceed the amount owed for incomes of residents earned outside the City. Effective January 1, 2005 this credit was repealed making the tax owed by all residents of the City a full 1% of earned income. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City on a monthly or quarterly basis depending on the amount being withheld. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenues and expenditures for collecting, administering, and enforcing the tax are recorded in the General Fund. Filing is required and returns are due by April 15.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2006, consisted of interest; taxes; accounts (billings for user charged services, including unbilled utility services); special assessments; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 7 – RECEIVABLES (continued)**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
State of Ohio	\$57,737
Local Government/Local Government Revenue	
Assistance	241,559
Estate Tax/Liquor Permits	55,766
911 Reimbursement	33,011
Marysville Municipal Court	32,124
Union County Law Library	3,736
Total General Fund	\$ 423,933
Nonmajor Special Revenue Funds	
Police Pension	
State of Ohio	4,419
Fire Pension	
State of Ohio	4,419
Street Construction and Repair	
Gas Tax	312,702
Motor Vehicle License Tax	66,207
Mandatory Drug Fine	
Marysville Municipal Court/Union County	2,634
Marysville Municipal Court	245
State Highway Improvement	
Gas Tax	25,354
Motor Vehicle License Tax	5,368
Court Computer Research	
Marysville Municipal Court	2,470
Court Computerization	
Marysville Municipal Court	2,475
Court Special Projects	
Marysville Municipal Court	5,520
Court Probation Fine	
Marysville Municipal Court	2,048
Total Nonmajor Special Revenue Funds	433,861
Total Governmental Activities	857,794
Enterprise Funds	
Sewer	
Union County	20,000
Total Business-Type Activities	20,000
Total All Funds	\$877,794

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 9 – INTER-FUND TRANSFERS**

Inter-fund transfers for the year ended December 31, 2006 consisted of the following:

		Transfer From	
		General Fund	Other Governmental Funds
Transfer To	Coleman’s Crossing TIF Fund	\$0	\$220,000
	Debt Service	1,410,144	0
	Other Governmental Funds	779,884	0
	Total	\$2,190,028	\$220,000

Transfers were made from the General Fund to provide funds for operating and debt retirement purposes. Transfers were made from the Coleman’s Crossing TIF Project Capital Projects Fund (an other governmental fund) to the Coleman’s Crossing TIF Special Revenue Fund for debt retirement purposes.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Balance at 12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/2006</u>
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$1,084,725	\$0	\$0	\$1,084,725
Construction in Progress	<u>1,611,211</u>	<u>2,513,909</u>	<u>(1,611,211)</u>	<u>2,513,909</u>
Subtotal	<u>2,695,936</u>	<u>2,513,909</u>	<u>(1,611,211)</u>	<u>3,598,634</u>
<b>Depreciable Capital Assets</b>				
Buildings	3,242,953	0	0	3,242,953
Improvements Other Than Buildings	1,898,186	131,969	0	2,030,155
Computers and Computer Equipment	135,976	53,035	(7,569)	181,442
Furniture and Equipment	1,023,369	92,913	(57,169)	1,059,113
Vehicles	2,997,829	373,101	(136,372)	3,234,558
<b>Infrastructure</b>				
Bridges	157,288	0	0	157,288
Roads	62,195,740	1,863,779	0	64,059,519
Storm Sewers	2,932,297	0	0	2,932,297
Other	<u>8,022,722</u>	<u>0</u>	<u>0</u>	<u>8,022,722</u>
Subtotal	<u>82,606,360</u>	<u>2,514,797</u>	<u>(201,110)</u>	<u>84,920,047</u>
<b>Less: Accumulated Depreciation</b>				
Buildings	(1,443,863)	(78,163)	0	(1,522,026)
Improvements Other Than Buildings	(818,566)	(108,865)	0	(927,431)
Computers and Computer Equipment	(66,464)	(26,260)	4,331	(88,393)
Furniture and Equipment	(505,738)	(106,442)	10,381	(601,799)
Vehicles	(1,543,884)	(239,581)	131,529	(1,651,936)
<b>Infrastructure</b>				
Bridges	(29,491)	(3,932)	0	(33,423)
Roads	(40,350,116)	(1,300,784)	0	(41,650,900)
Storm Sewers	(651,141)	(73,307)	0	(724,448)
Other	<u>(336,399)</u>	<u>(200,568)</u>	<u>0</u>	<u>(536,967)</u>
Total Accumulated Depreciation	<u>(45,745,662)</u>	<u>(2,137,902)</u>	<u>146,241</u>	<u>(47,737,323)</u>
Total Depreciable Capital Assets, Net	<u>36,860,698</u>	<u>376,895</u>	<u>(54,869)</u>	<u>37,182,724</u>
Governmental Activities Capital Assets, Net	<u>\$39,556,634</u>	<u>\$2,890,804</u>	<u>(\$1,666,080)</u>	<u>\$40,781,358</u>

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**NOTE 10 - CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental programs as follows:

General Government	\$302,182
Security of Persons and Property	
Police	67,450
Fire	134,751
Other	13,535
Public Health	18,815
Transportation	1,512,111
Community Environment	19,560
Leisure Time Activities	<u>69,498</u>
Total Depreciation Expense	<u>\$2,137,902</u>

	Balance at 12/31/2005	Additions	Reductions	Balance at 12/31/2006
Business-Type Activities				
Land	\$1,668,500	\$2,473,735	\$0	\$4,142,235
Construction in Progress	4,605,115	7,334,625	(338,409)	11,601,331
Subtotal	6,273,615	9,808,360	(338,409)	15,743,566
Depreciable Capital Assets				
Buildings	9,757,973	0	0	9,757,973
Improvements Other Than Buildings	1,088,914	4,475,315	0	5,564,229
Computers and Computer Equipment	110,805	0	(4,147)	106,658
Furniture and Equipment	776,297	220,977	(22,844)	974,430
Vehicles	953,493	182,959	0	1,136,452
Infrastructure				
Sewer Lines	15,015,983	0	0	15,015,983
Water Lines	23,618,135	0	0	23,618,135
Subtotal	51,321,600	4,879,251	(26,991)	56,173,860
Less: Accumulated Depreciation				
Buildings	(3,996,749)	(236,888)	0	(4,233,637)
Improvements Other Than Buildings	(72,976)	(28,301)	0	(101,277)
Computers and Computer Equipment	(54,191)	(21,331)	2,622	(72,900)
Furniture and Equipment	(487,879)	(63,483)	9,511	(541,851)
Vehicles	(484,732)	(97,427)	0	(582,159)
Infrastructure				
Sewer Lines	(4,508,901)	(370,930)	0	(4,879,831)
Water Lines	(6,413,100)	(590,453)	0	(7,003,553)
Total Accumulated Depreciation	(16,018,528)	(1,408,813)	12,133	(17,415,208)
Total Depreciable Capital Assets, Net	35,303,072	3,470,438	(14,858)	38,758,652
Business-Type Activities Capital Assets, Net	\$41,576,687	\$13,278,798	(\$353,267)	\$54,502,218

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 11 - RESTRICTED ASSETS**

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes.

<u>Assets:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equity in Pooled Cash and Cash Equivalents	\$6,414,012	\$77,051,521
Cash and Cash Equivalents with Fiscal Agent	0	2,977,788
Accounts Receivable	141,051	0
Due From Other Governments	433,861	0
Accrued Interest	342	0
Prepaid Items	16,911	0
Property Taxes Receivable	228,564	0
Special Assessments Receivable	253,200	0
Total Restricted Assets	<u>7,487,941</u>	<u>80,029,309</u>
Less Liabilities Payable from Restricted Assets	<u>733,314</u>	<u>2,977,788</u>
Restricted Net Assets	<u><u>\$6,754,627</u></u>	<u><u>\$77,051,521</u></u>

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage Limit</u>	<u>Deductible</u>
Buildings	\$18,568,038	\$5,000
Personal Property	3,854,087	5,000
Employee Benefit Liability	1,000,000	1,000
Wrongful Acts	3,000,000	1,000
Law Enforcement	3,000,000	2,000
Automobile Liability	3,000,000	0
Medical Malpractice	3,000,000	0
Stop Gap	3,000,000	0
Appeal/Bail/Property Release Bonds	Unlimited	0
Electronic Data Processing	25,000 – 263,899	500
Pollution Liability Benefits	25,000 – 3,000,000	0

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

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 13 - CONTRACTUAL COMMITMENTS**

At December 31, 2006, the City had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Jones and Henry	Engineering – Infiltration/Inflow Review	\$44,341
The Righter Company	Wastewater Treatment Plant Upgrades	82,827
Decker Construction	2006 CDBG Street Paving Project	13,547
Chemcote	Various Paving Projects	129,795
Columbus Construction	CHIP Construction Grant	22,880
Kokosing Construction	Water Reclamation Facility and Effluent Line	61,812,825
Martin Painting and Coating	Sandblast and Paint Municipal Pool	9,473
Althouse Heating and Cooling	CHIP Construction Grant	2,890
Tyevco Inc.	CHIP Construction Grant	29,080

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City contributes to the Ohio Public Employees Retirement System (the “System”). The System administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

The System provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Authority to establish and amend benefits is established by Chapter 145 of the Ohio Revised Code. The System issues a stand-alone publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 9.00 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.70 percent; 9.20 percent was the portion used to fund pension obligations for 2006. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City’s contributions to the System for the years ended December 31, 2006, 2005, and 2004 were \$615,269, \$587,127, and \$552,818, respectively; 75.37 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. The unpaid contribution for 2006, in the amount of \$148,960, is recorded as a liability.

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

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

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

**B. Ohio Police and Fire Pension Fund** (continued)

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's contributions to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$742,484, \$686,720, and \$659,719, respectively; 74.16 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. The unpaid contribution for 2006, in the amount of \$186,728, is recorded as a liability.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit enrolled in the Traditional or Combined Plans. Members of the Member-Defined Plan do not qualify for ancillary benefits, including post-employment health care coverage. Health care coverage for disability benefit and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 employer contribution rate for local government employers was 13.70 percent of covered payroll; 4.5 percent was the portion used to fund health care for 2006.

Benefits are advance funded using the individual entry age actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions include a rate of return on investments of eight percent, an annual increase in active employee total payroll of four percent compounded annually, and an additional increase in total payroll of .50 percent to 6.3 percent based on additional pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4 percent annually. OPEB are financed through employer contributions and investment earnings. At December 31, 2006, the total number of active contributing participants in the Traditional and Combined Plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. As of December 31, 2005, the actuarial value of net assets available for future OPEB payments was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial liability were \$31.3 billion and \$20.2 billion, respectively. The City's actual contributions for 2006 which were used to fund OPB were \$198,538.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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

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

**NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)**

**B. Ohio Police and Fire Pension Fund (continued)**

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2006 and in 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available, are 13,922 for police and 10,537 for firefighters. The City's actual contributions for 2006 that were used to fund post-employment benefits were \$135,821 for police and \$137,059 for firefighters. The Fund's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881.

**NOTE 16 - COMPENSATED ABSENCES**

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

City employees earn vacation at various rates depending upon length of service and standard work week. Current policy permits vacation to be carried forward to the following year with some limitations. Employees are paid for 100 percent of accrued but unused vacation leave upon termination. Sick leave is earned at various rates as defined by City policy and union contracts. Current policy permits sick leave to be accumulated without limit. Non-union employees earn sick leave at a rate of four and six-tenths hours for every eighty hours worked or six and nine-tenths hours for twenty-four shifts. Upon retirement non-union employees shall receive one-fourth of accrued but unused sick leave up to four hundred eighty hours.

Union employees earn sick leave at various rates depending on the union. Upon retirement certain police employees receive payment for one-third of accrued but unused sick leave to a limit in accordance with State law. Certain fire employees receive payment for one-fourth of accrued but unused sick leave up to four hundred eighty hours.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 17 - NOTES PAYABLE**

The City's note transactions for the year ended December 31, 2006, were as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<b><u>Governmental Activities</u></b>					
2005 Various Purpose Notes	3.00%	\$1,409,777	\$0	\$1,409,777	\$0
2005 Street Improvement Notes	3.75%	1,007,750	0	1,007,750	0
2005 Tax Increment Financing	3.75%	7,010,580	0	7,010,580	0
2006 Various Purpose Notes	4.00%	0	1,898,184	0	1,898,184
2006 Street Improvement Notes	4.25%	0	1,005,150	0	1,005,150
2006 Tax Increment Financing	3.80%	0	6,975,000	0	6,975,000
2006 Tax Increment Financing	4.30%	0	5,033,650	0	5,033,650
Total Governmental Activities		9,428,107	14,911,984	9,428,107	14,911,984
<b><u>Business-type Activities</u></b>					
2005 Sewer Plant Construction Notes	5.00%	55,594,000	0	55,594,000	0
2006 Sewer Acquisition Notes	3.35%	0	2,092,075	0	2,092,075
2006 Water Acquisition Note	3.35%	0	1,961,338	0	1,961,338
Total Business-type Activities		\$55,594,000	\$4,053,413	\$55,594,000	\$4,053,413

According to State statute, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. All of the City's bond anticipation notes are backed by the full faith and credit of the City of Marysville and have a maturity of one year.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**NOTE 18 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2006, was as follows:

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due in One Year
<b><u>Governmental Activities</u></b>					
General Obligation Bonds					
1986 Building Improvements	\$30,000	\$0	\$30,000	\$0	\$0
2000 Various Purpose	8,355,000	0	385,000	7,970,000	405,000
Total Governmental Obligation Bonds	8,385,000	0	415,000	7,970,000	405,000
Other Long-term Obligations					
Compensated Absences Payable	549,973	670,364	549,973	670,364	419,512
Capital Lease Payable	82,630	0	24,306	58,324	25,292
Total Other Long-term Obligations	632,603	670,364	574,279	728,688	444,804
Total Governmental Activities	<u>\$9,017,603</u>	<u>\$670,364</u>	<u>\$989,279</u>	<u>\$8,698,688</u>	<u>\$849,804</u>
<b><u>Business-type activities</u></b>					
General Obligation Bonds					
2004 Various Improvement Refunding	\$3,105,000	\$0	\$380,000	2,725,000	\$395,000
Unamortized premium	8,153	0	0	8,153	0
Total General Obligation Bonds	3,113,153	0	380,000	2,733,153	395,000
Mortgage Revenue Bond 2002 - Water System	3,429,583	0	140,000	3,289,583	145,000
Unamortized Discount on Sale of Bonds	(47,327)	0	(2,784)	(44,543)	(2,784)
Mortgage Revenue Bond 2003 - Sewer System	8,434,373	0	410,000	8,024,373	420,000
Unamortized Premium on Sale of Bonds	107,114	0	0	107,114	0
Mortgage Revenue 2005 Sewer System	13,345,000	0	13,345,000	0	0
Unamortized Premium on sale of Bonds	371,826	0	371,826	0	0
Mortgage Revenue Bond 2006 - Sewer System	0	85,885,000	218,078	85,666,922	220,000
Unamortized Premium on sale of Bonds	0	2,212,394	0	2,212,394	0
Total Mortgage Revenue Bonds	25,640,569	88,097,394	14,482,120	99,255,843	782,216
Other Long-term Obligations					
OPWC Wastewater Treatment Plant Loan	0	56,687	5,967	50,720	5,967
OPWC Sanitary Sewer Loan	0	16,660	1,960	14,700	1,960
Total OPWC Loans	0	73,347	7,927	65,420	7,927
Compensated Absences Payable	223,132	234,971	223,132	234,971	131,355
Capital Lease Payable	9,638	0	2,723	6,915	4,215
Total Other Long-Term Obligations	232,770	234,971	225,855	241,886	135,570
Total Business-type Activities	<u>\$28,986,492</u>	<u>\$88,405,712</u>	<u>\$15,095,902</u>	<u>\$102,296,302</u>	<u>\$1,320,713</u>

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

Governmental Activities General Obligation Bonds

General obligation bonds consist of bonds issued in 1986 for renovating the City Municipal Building and issued in 2000 for various utility and other capital improvement projects throughout the City.

2000 Various Improvement

The Various Improvement general obligation bonds are serial bonds. The bonds maturing on or after December 1, 2010, are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2010, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2010 through November 30, 2011	101 percent
December 1, 2011 and thereafter	100 percent

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, Street Construction and Repair special revenue fund, and the Sanitation, Sewer, and Water enterprise funds.

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Business-Type Activities General Obligation Bonds

The general obligation bonds are liabilities of the Sewer and Water enterprise funds and pledge their respective revenues for repayment. The bonds also pledge the full faith and credit and taxing ability of the City in the event that enterprise funds' revenues are not sufficient to meet the principal and interest requirements.

2004 Various Purpose Refunding Bonds

The Various Purpose Refunding general obligation bonds are serial bonds issued to currently refund \$3,714,000, including a call premium of \$29,000, of outstanding various purpose general obligation bonds issued in 1992 and 1994. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$367,615. The 2004 bonds are not subject to redemption prior to maturity. The bonds mature on December 1, 2004, through December 1, 2013, in the amount of \$3,810,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The amount of \$3,714,000 from the 2004 bonds was placed in an escrow fund to defease the 1992 and 1994 bonds which were then optionally redeemed on June 1, 2004.

Mortgage Revenue Bonds

Mortgage revenue bonds are special obligations of the City secured by a mortgage upon all assets of the respective system. These bonds are payable solely from the gross revenues of the sewer and water systems after provisions for reasonable operating and maintenance expenses. The bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers are of sufficient amounts to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemptions of principal, and maintenance of properties.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

Fund assets, whose uses are restricted under bond indentures, are presented as restricted assets on the statement of net assets.

Restricted Assets Held by City	
Sewer Replacement and Improvement	\$72,673,997
Water Replacement and Improvement	4,377,524

2002 Water System Mortgage Revenue Bonds

The Water System Mortgage Revenue Bonds are term bonds which have annual mandatory sinking fund redemption requirements. The bonds mature December 1, 2003 through December 1, 2022, in the amount of \$3,820,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date.

2003 Water System Mortgage Revenue Refunding Bonds

The Water System Mortgage Revenue Refunding Bonds were issued to currently refund the City's Series 1993 water system mortgage revenue bonds. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$667,605. The refunding bonds are term bonds which have annual mandatory sinking fund redemption requirements. The term bonds mature on December 1, 2004, through December 1, 2021, in the amount of \$9,155,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2013, are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2013, in multiples of \$5,000, at a redemption price equal to 100 percent of the principal plus accrued interest. The amount of \$8,908,850 from the 2003 bonds was placed in an escrow fund along with \$847,750 from the debt service reserve fund to defease the 1993 bonds which were then redeemed on December 1, 2003 in their entirety.

2005 Sewer System Mortgage Revenue Bonds

The Sewer System Mortgage Revenue Bonds are term bonds which have annual mandatory sinking fund redemption requirements. The bonds mature December 1, 2006 through December 1, 2035, in the amount of \$13,345,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The bonds maturing on or after December 1, 2015, are subject to early redemption, at the sole option of the City, either in whole or in part on any date, on or after December 1, 2015 at a redemption price equal to 100 percent of the principal plus accrued interest. The bonds were defeased in 2006 from the proceeds of the 2006 Sewer System Mortgage Revenue Bond. An amount of \$13,410,965 was placed in an escrow fund for that purpose.

2006 Sewer System Mortgage Revenue Bonds

The Sewer System Mortgage Revenue Bonds are term bonds issued to advance refund \$13,345,000, including a call premium of \$693,172, of mortgage revenue bonds issued in 2005 and to currently refund \$55,594,000 of outstanding mortgage revenue bond anticipation notes issued in 2005 and to provide additional resources for constructing and installing certain sewer treatment system improvements. The bonds maturing on or after December 1, 2016, are subject to early redemption, at the sole option of the City, either in whole or in part on any date, on or after December 1, 2016 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest. The Series 2006 Bonds maturing December 1, 2031, December 1, 2036, and December 1, 2046 are subject to mandatory sinking fund redemption prior to stated maturity. The amount of \$13,410,965 from the 2006 bonds was placed in an escrow fund to defease the 2005 bonds.

**City of Marysville**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

Fund assets, whose uses are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. Restricted assets relating to the sewer mortgage revenue bonds at December 31, 2006, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$ 1,125
Mortgage Revenue Bond Reserve Fund	2,561,307

Restricted assets relating to the water mortgage revenue bonds at December 31, 2006, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$ 93,799
Mortgage Revenue Bond Fund	40
Mortgage Revenue Bond Reserve Fund	321,517

Ohio Public Works Commission Loans

The City assumed two Ohio Public Works Commission (OPWC) loans previously held by Union County as part of an asset purchase agreement for the sewer lines and lift stations south of the City limits. These loans were originally twenty year, zero percent interest loans borrowed by Union County in 1994 and 1995 to provide sewage system improvements and replacements as follows:

1994	Jerome Industrial Park Sanitary Sewer Replacement	\$ 39,200
1995	Kimberly Woods Wastewater Treatment Plant Replacement	\$ 119,340

The City assumed the January 1, 2006 balance on the loans with the same payment terms (0% interest) and the following principal balances:

2006	Jerome Industrial Park Sanitary Sewer Replacement	\$ 16,660
2006	Kimberly Woods Wastewater Treatment Plant Replacement	\$ 56,687

The City's overall legal debt margin was \$21,525,922 at December 31, 2006.

Principal and interest requirements to retire general obligation bonds, and mortgage revenue bonds at December 31, 2006, were as follows:

Year	Governmental-Type Activities General Obligation Bonds		Business-Type Activities General Obligation Bonds	
	2000 Various Improvement		2004 Various Improvement Refunding	
	Principal	Interest	Principal	Interest
2007	\$405,000	\$412,030	\$395,000	\$82,333
2008	425,000	391,780	400,000	73,840
2009	445,000	370,530	410,000	63,840
2010	470,000	348,280	420,000	51,540
2011	490,000	324,780	435,000	38,310
2012-2016	2,860,000	1,227,610	665,000	36,535
2017-2021	2,875,000	396,615	0	0
Totals	\$7,970,000	\$3,471,625	\$2,725,000	\$346,398

**City of Marysville**  
*Notes to the Basic Financial Statements*  
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**NOTE 18 - LONG-TERM OBLIGATIONS** (continued)

	*2003 Water System Mortgage Revenue Refunding		2002 Water System Mortgage Revenue Improvement		**2006 Sewer System Mortgage Revenue Improvement	
	Principal	Interest	Principal	Interest	Principal	Interest
		\$420,000	\$310,462	\$145,000	\$157,385	\$220,000
	425,000	301,644	150,000	151,585	230,000	4,142,825
	435,000	291,018	155,000	145,360	240,000	4,133,625
	450,000	279,056	165,000	138,695	250,000	4,124,025
	465,000	265,106	170,000	131,435	710,000	4,114,025
6	2,595,000	1,044,866	980,000	531,678	5,005,000	20,017,252
11	3,205,000	430,960	1,240,000	266,820	6,545,000	18,664,052
16	0	0	284,583	14,535	8,370,000	16,836,564
11	0	0	0	0	10,750,000	14,454,690
16	0	0	0	0	13,725,000	11,484,440
11	0	0	0	0	17,430,000	7,779,552
16	0	0	0	0	21,975,000	3,228,814
	<u>\$7,995,000</u>	<u>\$2,923,112</u>	<u>\$3,289,583</u>	<u>\$1,537,493</u>	<u>\$85,450,000</u>	<u>\$113,131,489</u>

\*The above amortization schedule for the 2003 Water System Mortgage Revenue Refunding Bonds does not agree to the bonds payable amount on page 48 because the City paid its schedule bond payments for 2006 to its trust company, but the trust company had not yet withdrawn the whole amount as of year-end, having a balance of \$29,373 in a trust cash account. This balance is show on the "Cash and Cash Equivalents with Fiscal Agents" account balance.

\*\*The above amortization schedule for the 2006 Sewer System Mortgage Revenue Improvement Bonds does not agree to the bonds payable amount on page 48 because the City paid its schedule bond payments for 2006 to its trust company, but the trust company had not yet withdrawn the whole amount as of year-end, having a balance of \$216,922 in a trust cash account. This balance is show on the "Cash and Cash Equivalents with Fiscal Agents" account balance.

2006 Ohio Public Works Commission Loans	
Year	Principal
2007	\$7,927
2008	7,927
2009	7,927
2010	7,927
2011	7,927
2012-2015	25,785
Totals	<u>\$65,420</u>

**City of Marysville**  
*Notes to the Basic Financial Statements*  
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**NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE**

The City has entered into capitalized leases for equipment. The leases meet 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 "Capital Outlay" and "Inception of Capital Lease" in the funds making the lease payments. Capital lease payments are reflected as debt service expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the governmental funds. Capital lease payments are reflected as a reduction of the liability for the enterprise funds. Assets, consisting of equipment, have been capitalized, in the amount of \$126,839 in the governmental funds and \$13,934 in the enterprise funds. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in 2006 were \$24,306 and \$2,723, in governmental and enterprise funds, respectively.

	Governmental Activities	Business-Type Activities
Property under Capital Lease	\$126,839	\$13,934
Less Accumulated Depreciation	(72,975)	(8,300)
Total December 31, 2006	\$53,864	\$5,634

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006.

	Governmental Activities	Business-Type Activities
Year		
2007	\$25,468	\$4,215
2008	19,302	3,639
2009	11,022	0
2010	6,844	0
Total	62,636	7,854
Less Amount Representing Interest	(4,312)	(939)
Present Value of Net Minimum Lease Payments	\$58,324	\$6,915

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

Marysville/Union County Joint Recreation District

The Marysville/Union County Joint Recreation District (the District) is a jointly governed organization involving the City of Marysville, Union County, and Paris Township. The District was established for acquiring, developing, operating, and maintaining a sports complex and bicycle/walking trail in Union County. The District's Board of Trustees consists of seven members, three appointed by the Mayor of Marysville, three appointed by the County Commissioners, and one appointed by the Paris Township Board of Trustees.

Union County Community Improvement Corporation

The Union County Community Improvement Corporation (the Corporation), a non-profit corporation, was established to assist in the financing of economic and industrial development in Union County. It is the responsibility of the Corporation to provide building, zoning, and land controls for the County, townships, and municipal corporations. The Board of Trustees consists of not less than three nor more than twenty-five trustees as such number is fixed by the members from time to time. Two-fifths of the Board of Trustees are composed of appointed or elected officers of such political divisions. The Corporation can issue its own debt and is not fiscally dependent on the City. The City of Marysville does not have an ongoing financial interest and/or responsibility with this organization.

**NOTE 21 - CONTINGENT LIABILITIES**

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.

For the period January 1, 2006 to December 31, 2006, the City received federal and state 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 22 - SUBSEQUENT EVENTS**

On January 25, 2007, the City issued bond anticipation notes, in the amount of \$3,815,000 to retire notes previously issued, in the amount of \$4,035,000 for the acquisition of water lines, sewer lines, pumping stations, and related equipment from Union County, Ohio. The notes have an interest rate of 4.5 percent and mature on January 24, 2008.

On March 7, 2007, the City issued general obligation bond anticipation notes, in the amount of \$1,800,000, to retire notes previously issued, in the amount of \$2,890,000 for motor vehicle purchases, equipment, pumper truck, and various street resurfacing projects. The notes have an interest rate of 4.25 percent and mature on March 6, 2008.

On April 3, 2007, the City issued refunding bonds, in the amount of \$6,515,000 to advance refund a portion of the 2000 Various Purpose general obligation bonds. The bonds have an interest rate of 4.0 percent and mature annually on December 1, 2007 through December 1, 2017 and December 1, 2020.

On May 17, 2007, the City issued Street Improvement Notes in the amount of \$1,000,000. The notes have an interest rate of 4.25 percent and mature May 16, 2008.

On June 6, 2007, the City issued Wastewater Treatment System Notes in the amount of \$23,000,000. The notes have an interest rate of 4.125 percent and mature June 5, 2008. The notes were issued to provide funding for construction of a wastewater trunk sewer, lift station, and related improvements.

On June 6, 2007, the City issued revenue bonds in the amount of \$31,555,000 to provide funds for construction of a wastewater trunk sewer, lift station, and related improvements. The bonds have an interest rates from 4.0 percent to 5.0 percent and mature annually on December 1, 2012-December 1, 2023, December 1, 2027, December 1, 2037, and December 1, 2047.

**City of Marysville**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2006*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>UNITED STATES DEPARTMENT OF DEFENSE</b>			
<i>Passed through Department of the Army, Office of the Chief of Engineers</i>			
Section 594 of the Water Resource Development Act of 1999	N/A	12.xxx	<u>\$992,000</u>
<b>Total United States Department of Defense</b>			<b>992,000</b>
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Direct:</i>			
Assistance to Firefighters Grant	N	97.044	<u>25,084</u>
<b>Total United States Department of Homeland Security</b>			<b>25,084</b>
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through Ohio Department of Development:</i>			
HOME Investment Partnerships Program	A-C-05-144-2	14.239	24,449
Community Development Block Grants/State's Program	A-F-05-144-1	14.228	36,200
Community Development Block Grants/State's Program	A-C-05-144-1	14.228	66,604
Community Development Block Grants/State's Program	A-T-05-144-2	14.228	<u>15,000</u>
Total Community Development Block Grant			117,804
<b>Total United States Department of Housing and Urban Development</b>			<b><u>142,253</u></b>
<b>Total Federal Financial Assistance</b>			<b><u><u>\$1,159,337</u></u></b>

N - Direct from federal government

N/A - Pass through entity number not available

See notes to the schedule of federal awards expenditures.

**City of Marysville**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2006*

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – 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.

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**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***

City of Marysville  
Union County, Ohio  
125 East 6th Street  
Marysville, Ohio 43040-1641

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2007, wherein we indicated the City implemented GASB Statements No. 46 and 47. 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 auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness on the City's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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 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.

City of Marysville  
Union County

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*

Page 2

### **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 that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the City in a separate letter dated June 29, 2007.

This report is intended for the information and use of management, members of the Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

June 29, 2007

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Piketon, Ohio 45661

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**Report on Compliance With Requirements Applicable to Each Major Program and  
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

City of Marysville  
Union County, Ohio  
125 East 6th Street  
Marysville, Ohio 43040-1641

**Compliance**

We have audited the compliance of the City of Marysville, Union County, Ohio, (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The City's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2006.

**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.

City of Marysville

Union County

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A - 133

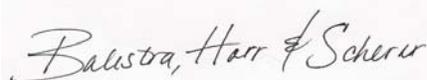
Page 2

A control deficiency in the City'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 City'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 detected by the City'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 the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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.

This report is intended solely for the information and use of management, members of the Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

June 29, 2007

**City of Marysville**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2006*

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Section 594 of the Water Resource Development Act of 1999, CFDA # 12.xxx
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**City of Marysville**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2006*  
*(Continued)*

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**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





**Mary Taylor, CPA**  
Auditor of State

**CITY OF MARYSVILLE**

**UNION 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  
SEPTEMBER 13, 2007**