

**CITY OF MARION**

COLUMBUS REGION, MARION COUNTY

**SINGLE AUDIT**

JANUARY 1, 1999 - DECEMBER 31, 1999

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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City Council  
City of Marion  
233 West Center Street  
Marion, Ohio 43301

We have reviewed the Independent Auditor's Report of the City of Marion, Marion County, prepared by Reichert & Associates, CPA's, for the audit period January 1, 1999 to December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

September 5, 2000

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**CITY OF MARION  
MARION COUNTY**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

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# REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street  
Findlay, Ohio 45840  
419-422-6131

## REPORT OF INDEPENDENT ACCOUNTANTS

City Council  
City of Marion  
233 West Center Street  
Marion, Ohio 43301

We have audited the accompanying general purpose financial statements of the City of Marion, Marion County, Ohio, (the City), as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Marion, Marion County, Ohio, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

June 16, 2000  
Findlay, Ohio

**REICHERT & ASSOCIATES, CPA'S**  
Certified Public Accountants

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City of Marion  
 Combined Balance Sheet - All Fund Types and Account Groups  
 December 31, 1999

	Governmental Fund Types					Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations			
										General	Long-Term Obligations	
<b>Assets and Other Debits:</b>												
<b>Assets:</b>												
Equity in Pooled Cash and Investments	\$3,103,078	\$1,592,696	\$141,015	\$305,944	\$10,318,577	\$14,372	\$106,643	\$0	\$0			\$15,582,325
Cash With Fiscal Agent	0	0	288	0	0	0	0	0	0			288
Petty Cash	1,080	150	0	0	380	400	40	0	0			2,050
Due From Other Funds	26,019	7,150	0	0	2,120	10,266	0	0	0			45,555
Receivables (Net of Allowance for Uncollectibles):												
Interest	25,581	0	0	0	0	0	0	0	0			25,581
Accounts	40,988	8,748	0	0	1,286,450	0	270	0	0			1,336,456
Property Taxes	1,079,343	192,060	0	0	0	0	0	0	0			1,271,403
Inheritance Tax	128,182	0	0	0	0	0	0	0	0			128,182
Local Taxes	1,122,863	108,552	0	36,184	0	0	0	0	0			1,267,599
Intergovernmental	185,768	179,451	0	33,986	91,313	0	10,555	0	0			501,073
Notes Receivable	0	416,000	0	592,005	0	0	0	0	0			1,008,005
Prepaid Items	86,006	19,584	0	0	52,604	0	0	0	0			158,194
Supplies Inventory	51,604	33,370	0	0	61,551	885	0	0	0			147,410
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0	17,674,234	10,849	0	18,235,806	0			35,920,889
<b>Other Debits:</b>												
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	36,015			36,015
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	4,684,652			4,684,652
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0	0	0	0	0	105,000			105,000
<b>Total Assets and Other Debits</b>	<b>\$5,850,512</b>	<b>\$2,557,761</b>	<b>\$141,303</b>	<b>\$968,119</b>	<b>\$29,487,229</b>	<b>\$36,772</b>	<b>\$117,508</b>	<b>\$18,235,806</b>	<b>\$4,825,667</b>			<b>\$62,220,677</b>

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City of Marion  
 Combined Balance Sheet - All Fund Types and Account Groups (Continued)  
 December 31, 1999

	Governmental Fund Types					Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations		
<b>Liabilities, Fund Equity, and Other Credits:</b>											
<b>Liabilities:</b>											
Accounts Payable	\$127,021	\$697,190	\$0	\$375,316	\$1,141,299	\$1,071	\$5,160	\$0		\$2,347,057	
Accrued Payroll	256,652	81,349	0	0	76,612	3,860	0	0		418,473	
Accrued PERS	84,978	53,754	0	0	66,042	3,208	0	0		207,982	
Accrued Worker Compensation	63,152	18,373	0	0	17,240	759	0	0		99,524	
Accrued Police & Fire Pension	173,759	84,051	0	0	0	0	0	0		257,810	
Matured Bonds & Interest Payable	0	0	288	0	0	0	0	0		288	
Other Payables	4,134	733	0	0	649	37	89,630	0		95,183	
Due to Other Funds	4,961	24,662	0	0	13,124	0	2,808	0		45,555	
Due to Other Governments	2,178	2,612	0	0	9,866	15	0	0		14,671	
Deferred Property Taxes	1,037,320	184,634	0	0	0	0	0	0		1,221,954	
Deferred Inheritance Tax	128,182	0	0	0	0	0	0	0		128,182	
Deferred Revenue	0	0	0	0	4,561	0	0	0		4,561	
Loans Payable	0	0	0	0	5,081,105	0	0	0		5,081,105	
Notes Payable	0	0	0	0	7,100,000	0	0	0		7,100,000	
Bonds Payable	0	0	0	0	0	0	0	600,000		600,000	
Police & Firemen's Pension Accrued Liability	0	0	0	0	0	0	0	1,553,464		1,553,464	
Compensated Absences	151,056	27,989	0	0	340,549	8,034	0	2,567,203		3,094,831	
Landfill Postclosure Payable	0	0	0	0	2,916,000	0	0	0		2,916,000	
Special Assessment Bonds Payable	0	0	0	0	0	0	0	105,000		105,000	
<b>Total Liabilities</b>	<b>2,033,393</b>	<b>1,175,347</b>	<b>288</b>	<b>375,316</b>	<b>16,767,047</b>	<b>16,984</b>	<b>97,598</b>	<b>0</b>	<b>4,825,667</b>	<b>25,291,640</b>	
<b>Fund Equity and Other Credits:</b>											
Investment in General Fixed Assets	0	0	0	0	0	0	0	18,235,806	0	18,235,806	
Contributed Capital	0	0	0	0	4,499,022	1,431	0	0	0	4,500,453	
Retained Earnings	0	0	0	0	8,221,160	18,357	0	0	0	8,239,517	
<b>Fund Balance:</b>											
Reserved for Supplies Inventory	51,604	33,370	0	0	0	0	0	0	0	84,974	
Reserved for Encumbrances	124,413	254,567	0	263,421	0	0	0	0	0	642,401	
Reserved for Prepays	86,006	19,584	0	0	0	0	0	0	0	105,590	
Reserved for Notes Receivable	0	416,000	0	592,005	0	0	0	0	0	1,008,005	
Reserved for Debt Service	0	0	141,015	0	0	0	0	0	0	141,015	
Unreserved, Undesignated (Deficit)	3,555,096	658,893	0	(262,623)	0	0	19,910	0	0	3,971,276	
<b>Total Fund Equity and Other Credits</b>	<b>3,817,119</b>	<b>1,382,414</b>	<b>141,015</b>	<b>592,803</b>	<b>12,720,182</b>	<b>19,788</b>	<b>19,910</b>	<b>18,235,806</b>	<b>0</b>	<b>36,929,037</b>	
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$5,850,512</b>	<b>\$2,557,761</b>	<b>\$141,303</b>	<b>\$968,119</b>	<b>\$29,487,229</b>	<b>\$36,772</b>	<b>\$117,508</b>	<b>\$18,235,806</b>	<b>\$4,825,667</b>	<b>\$62,220,677</b>	

See Notes to the Combined General Purpose Financial Statements.

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City of Marion  
 Combined Statement of Revenues, Expenditures and Changes In Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For The Year Ended December 31, 1999

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$10,412,326	\$1,251,736	\$150,088	\$300,226	\$0	\$12,114,376
Intergovernmental Revenues	2,102,701	2,713,565	48,997	546,888	0	5,412,151
Special Assessments	3,516	13,189	0	0	0	16,705
Charges for Services	159,602	95,667	0	15,657	0	270,926
Fines, Licenses, and Permits	1,044,837	107,016	0	0	0	1,151,853
Miscellaneous	429,809	113,682	3,700	2,070,254	10,336	2,627,781
<b>Total Revenues</b>	<b>14,152,791</b>	<b>4,294,855</b>	<b>202,785</b>	<b>2,933,025</b>	<b>10,336</b>	<b>21,593,792</b>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	8,470,867	809,920	0	0	5,408	9,286,195
Public Health Services	0	916,935	0	0	0	916,935
Leisure Time Activities	375,240	434,898	0	0	2,080	812,218
Community Environment	235,886	535,594	0	0	0	771,480
Transportation	243,871	2,005,403	0	0	0	2,249,274
General Government	2,667,372	43,747	0	0	0	2,711,119
Capital Outlay	233,254	229,329	0	1,711,036	0	2,173,619
Debt Service						
Principal	0	0	2,235,000	2,620,000	0	4,855,000
Interest	0	0	131,410	46,094	0	177,504
<b>Total Expenditures</b>	<b>12,226,490</b>	<b>4,975,826</b>	<b>2,366,410</b>	<b>4,377,130</b>	<b>7,488</b>	<b>23,953,344</b>
Excess (Deficiency) of revenues over expenditures	1,926,301	(680,971)	(2,163,625)	(1,444,105)	2,848	(2,359,552)
<b>Other Financing Sources/(Uses):</b>						
Proceeds of Notes	0	0	0	5,920,000	0	5,920,000
Proceeds of Sale of Land	765,757	0	0	0	0	765,757
Operating Transfers-In	0	947,045	2,167,492	126,466	0	3,241,003
Operating Transfers-Out	(1,009,045)	0	0	(2,293,958)	0	(3,303,003)
Other Financing Sources	0	26,024	0	12,046	0	38,070
Other Financing Uses	0	(32,048)	0	(6,300)	0	(38,348)
<b>Total Other Financing Sources/(Uses)</b>	<b>(243,288)</b>	<b>941,021</b>	<b>2,167,492</b>	<b>3,758,254</b>	<b>0</b>	<b>6,623,479</b>
Excess (Deficiency) of revenues & other financing sources over expenditures & other financing uses	1,683,013	260,050	3,867	2,314,149	2,848	4,263,927
Beginning Fund Balance	2,134,105	1,122,364	137,148	(1,721,346)	17,062	1,689,333
Ending Fund Balance	<b>\$3,817,118</b>	<b>\$1,382,414</b>	<b>\$141,015</b>	<b>\$592,803</b>	<b>\$19,910</b>	<b>\$5,953,260</b>

See Notes to the Combined General Purpose Financial Statements.

City of Marion, Ohio  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Non - GAAP)- All Governmental Fund Types  
 For the Year Ended December 31, 1999

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Taxes	\$10,160,775	\$10,375,842	\$215,067	\$1,230,130	\$1,247,419	\$17,289
Intergovernmental Revenues	2,081,228	2,096,622	15,394	3,371,351	2,887,346	(484,005)
Special Assessments	5,000	3,516	(1,484)	14,000	13,189	(811)
Charges for Services	172,923	162,513	(10,410)	87,500	96,805	9,305
Fines, Licenses, and Permits	1,119,880	1,030,777	(89,103)	84,950	106,432	21,482
Miscellaneous	392,200	422,003	29,803	38,151	105,413	67,262
Total Revenues	13,932,006	14,091,273	159,267	4,826,082	4,456,604	(369,478)
<u>Expenditures:</u>						
Current:						
Security of Persons and Property	8,910,543	8,672,893	237,650	853,912	827,930	25,982
Public Health Services	0	0	0	1,014,895	942,355	72,540
Leisure Time Activities	437,674	393,742	43,932	453,175	439,070	14,105
Community Environment	356,500	235,886	120,614	1,388,337	957,274	431,063
Basic Utility Services	0	0	0	0	0	0
Transportation	297,368	262,965	34,403	2,273,668	2,203,437	70,231
General Government	3,019,207	2,778,812	240,395	120,033	52,402	67,631
Capital Outlay	309,292	254,300	54,992	307,646	256,325	51,321
Debt Service	0	0	0	0	0	0
Total Expenditures	13,330,584	12,598,598	731,986	6,411,666	5,678,793	732,873
Excess (Deficiency) of revenues over expenditures	601,422	1,492,675	891,253	(1,585,584)	(1,222,189)	363,395
<u>Other Financing Sources/(Uses):</u>						
Proceeds of notes			0			0
Operating Transfers-In			0	950,000	947,045	(2,955)
Operating Transfers-Out	(1,135,885)	(1,009,045)	126,840			0
Advances In	41,300	41,300	0	126,700	126,700	0
Advances Out	(45,174)	(45,174)	0	(116,700)	(116,700)	0
Other Financing Sources	11,200	11,660	460	28,342	46,468	18,126
Other Financing Uses			0	(98,715)	(44,723)	53,992
Total Other Financing Sources/(Uses)	(1,128,559)	(1,001,259)	127,300	889,627	958,790	69,163
Excess (Deficiency) of revenues & other financing sources over expenditure & other financing uses	(527,137)	491,416	1,018,553	(695,957)	(263,399)	432,558
Beginning Fund Balance	2,160,778	2,160,778	0	775,149	775,149	0
Prior Year Encumbrances Appropriated	205,832	205,832	0	129,378	129,378	0
Ending Fund Balance	\$1,839,473	\$2,858,026	\$1,018,553	\$208,570	\$641,128	\$432,558

See Notes to the General Purpose Financial Statements.

Debt Service Funds			Capital Project Funds			Total All Governmental Funds (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$150,675	\$150,088	(\$587)	\$293,571	\$299,332	\$5,761	\$11,835,151	\$12,072,681	\$237,530
0	0	0	1,147,832	576,706	(571,126)	6,600,411	5,560,674	(1,039,737)
48,845	48,997	152			0	67,845	65,702	(2,143)
0	0	0	22,500	15,657	(6,843)	282,923	274,975	(7,948)
0	0	0			0	1,204,830	1,137,209	(67,621)
2,500	3,700	1,200	311,933	2,070,254	1,758,321	744,784	2,601,370	1,856,586
202,020	202,785	765	1,775,836	2,961,949	1,186,113	20,735,944	21,712,611	976,667
0	0	0			0	9,764,455	9,500,823	263,632
0	0	0			0	1,014,895	942,355	72,540
0	0	0			0	890,849	832,812	58,037
0	0	0	634,097	623,711	10,386	2,378,934	1,816,871	562,063
0	0	0		0	0	0	0	0
0	0	0	170,748	169,533	1,215	2,741,784	2,635,935	105,849
1,500	918	582	35,200	35,200	0	3,175,940	2,867,332	308,608
0	0	0	1,446,217	1,304,577	141,640	2,063,155	1,815,202	247,953
2,365,492	2,365,492	0	4,233,586	4,233,586	0	6,599,078	6,599,078	0
2,366,992	2,366,410	582	6,519,848	6,366,607	153,241	28,629,090	27,010,408	1,618,682
(2,164,972)	(2,163,625)	1,347	(4,744,012)	(3,404,658)	1,339,354	(7,893,146)	(5,297,797)	2,595,349
0	0	0	2,620,000	2,620,000	0	2,620,000	2,620,000	0
2,167,492	2,167,492	0	146,453	126,466	(19,987)	3,263,945	3,241,003	(22,942)
0	0	0	(126,466)	(126,466)	0	(1,262,351)	(1,135,511)	126,840
0	0	0	174	174	0	168,174	168,174	0
0	0	0	(6,300)	(6,300)	0	(168,174)	(168,174)	0
0	0	0	1,771,530	13,567	(1,757,963)	1,811,072	71,695	(1,739,377)
0	0	0	(330,938)	0	330,938	(429,653)	(44,723)	384,930
2,167,492	2,167,492	0	4,074,453	2,627,441	(1,447,012)	6,003,013	4,752,464	(1,250,549)
2,520	3,867	1,347	(669,559)	(777,217)	(107,658)	(1,890,133)	(545,333)	1,344,800
137,148	137,148	0	(13,366)	(13,366)	0	3,059,709	3,059,709	0
0	0	0	561,318	561,318	0	896,528	896,528	0
\$139,668	\$141,015	\$1,347	(\$121,607)	(\$229,265)	(\$107,658)	\$2,066,104	\$3,410,904	\$1,344,800

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City of Marion  
 Combined Statement of Revenues,  
 Expenses, and Changes in Fund Equity  
 Proprietary Fund Type  
 For the Year Ended December 31, 1999

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
<u>Operating Revenues:</u>			
Charges for Services	\$6,034,822	\$176,544	\$6,211,366
Miscellaneous	19,666	333	19,999
Total Operating Revenues	<u>6,054,488</u>	<u>176,877</u>	<u>6,231,365</u>
<u>Operating Expenses:</u>			
Personal Services	2,728,023	132,599	2,860,622
Travel Transportation	2,352	550	2,902
Contractual Services	1,472,373	13,468	1,485,841
Materials & Supplies	516,429	22,148	538,577
Depreciation	970,550	2,085	972,635
Other Operating Expenses	559,129		559,129
Total Operating Expenses	<u>6,248,856</u>	<u>170,850</u>	<u>6,419,706</u>
Operating Income	<u>(194,368)</u>	<u>6,027</u>	<u>(188,341)</u>
<u>Non-Operating Revenues/(Expenses):</u>			
Interest Expense	(159,967)	0	(159,967)
Other Non-Operating Revenue	1,137,425	6	1,137,431
Other Non-Operating Expenses	(172,934)	0	(172,934)
Total Non-Operating Revenue	<u>804,524</u>	<u>6</u>	<u>804,530</u>
Income Before Operating Transfers	610,156	6,033	616,189
Operating Transfers In	<u>62,000</u>	<u>0</u>	<u>62,000</u>
Net Income	672,156	6,033	678,189
Retained Earnings at Beginning of Year	7,103,829	12,120	7,115,949
Change to Landfill Postclosure Costs	37,057	0	37,057
Depreciation on Fixed Assets Acquired by Contributed Capital	408,118	204	408,322
Retained Earnings at End of Year	<u>8,221,160</u>	<u>18,357</u>	<u>8,239,517</u>
Contributed Capital at Beginning of Year	4,843,230	0	4,843,230
Contributed Capital Additions	63,909	1,635	65,544
Depreciation on Fixed Assets Acquired by Contributed Capital	(408,117)	(204)	(408,321)
Contributed Capital at End of Year	<u>4,499,022</u>	<u>1,431</u>	<u>4,500,453</u>
Ending Fund Equity	<u>\$12,720,182</u>	<u>\$19,788</u>	<u>\$12,739,970</u>

See Notes to the Combined General Purpose Financial Statements.

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City of Marion  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Year Ended December 31, 1999

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
<u>Cash Flows from Operating Activities:</u>			
Operating Income	(\$194,368)	\$6,027	(\$188,341)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>			
Depreciation	970,550	2,085	972,635
Change in Landfill Postclosure	37,057	0	37,057
Proceeds from Sale of Assets	(3,561)	2	(3,559)
Increase (Decrease) in Receivables - Accounts	281,813	0	281,813
Increase (Decrease) in Due from other Governments	93,799	0	93,799
(Increase) Decrease in Prepaid Expenses	(2,892)	0	(2,892)
Increase (Decrease) in Supplies Inventory	(11,637)	107	(11,530)
Increase (Decrease) in Accounts Payable	712,220	(328)	711,892
Increase (Decrease) in Accrued Payroll	10,927	367	11,294
Increase (Decrease) in Accrued PERS	(237)	136	(101)
Increase (Decrease) in Accrued Workers' Compensation	(70,508)	(4,279)	(74,787)
Increase (Decrease) in Other Payables	160	(4)	156
Increase (Decrease) in Deferred Revenue	(7,383)	0	(7,383)
Increase (Decrease) in Due To Other Governments	867	0	867
Increase (Decrease) in Compensated Absences	24,067	2,141	26,208
Total Adjustments	<u>2,035,242</u>	<u>227</u>	<u>2,035,469</u>
Net Cash Provided by Operating Activities	1,840,874	6,254	1,847,128
<u>Cash Flows from Noncapital Financing Activities:</u>			
Receipts of Intergovernmental Revenue	1,128,959	0	1,128,959
Increase (Decrease) in Due to Other Funds	9,809	0	9,809
Increase (Decrease) in Due From Other Funds	2,680	(10,266)	(7,586)
Decrease(Increase) in Accrued Liabilities	(121,500)	0	(121,500)
Operating Transfers - In/(Out)	62,000	0	62,000
Other Nonoperating Revenues	12,587	4	12,591
Other Nonoperating Expenses	<u>(172,934)</u>	<u>0</u>	<u>(172,934)</u>
Net Cash Provided by Noncapital Financing Activities	921,601	(10,262)	911,339
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from OWDA Loan	157,168	0	157,168
Acquisition of Assets	(2,782,425)	(5,919)	(2,788,344)
Proceeds from Sale of Notes	7,100,000	0	7,100,000
Principal Payments on Sewer System Bonds	(40,000)	0	(40,000)
Principal Payments on Notes	(4,950,000)	0	(4,950,000)
Principal Payments on OWDA Loan	(187,146)	0	(187,146)
Principal Payments to State Issue II	(35,000)	0	(35,000)
Interest Payments on Sewer System Bonds	(4,200)	0	(4,200)
Interest Payments on Notes	(174,735)	0	(174,735)
Interest Payments on OWDA Loan	<u>(201,989)</u>	<u>0</u>	<u>(201,989)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,118,327)</u>	<u>(5,919)</u>	<u>(1,124,246)</u>
<u>Cash Flows from Investing Activities</u>			
Sale of Investments	<u>220,958</u>	<u>0</u>	<u>220,958</u>
Net Cash from Investing Activities	220,958	0	220,958
Net Increase in Cash and Cash Equivalents	1,865,106	(9,927)	1,855,179
Cash and Cash Equivalents at Beginning of Year	<u>8,454,829</u>	<u>24,299</u>	<u>8,479,128</u>
Cash and Cash Equivalents at End of Year	<u><u>\$10,319,935</u></u>	<u><u>\$14,372</u></u>	<u><u>\$10,334,307</u></u>

See Notes to the Combined General Purpose Financial Statements.

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**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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**NOTE 1 - DESCRIPTION OF THE CITY OF MARION AND THE REPORTING ENTITY**

**A. THE CITY**

The City of Marion is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. It became a city in 1890.

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

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

**B. REPORTING ENTITY**

The reporting entity of the City of Marion is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Marion this includes the municipal court, health department, and all departments that are directly operated by the elected City officials.

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

**A. FUND ACCOUNTING**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The various funds and account groups are reported by type columns in the financial statements. Amounts in the "Total-Memorandum Only" columns in the financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "Amounts To Be Provided" which is not an asset in the usual sense. Consequently, amounts shown in the "Total--Memorandum Only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City.

The City uses the following fund categories, fund types and account groups:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

**Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

**PROPRIETARY FUND TYPE:**

**Enterprise Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Fund**

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost reimbursement basis.

**FIDUCIARY FUND TYPES:**

**Expendable Trust Funds**

Expendable trust funds are accounted for in essentially the same manner as governmental funds and are used by the City to account for assets held by the City in a trustee capacity.

**Agency Funds**

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ACCOUNT GROUPS:**

**General Fixed Assets Account Group**

This account group is used to account for all fixed assets of the City, other than those accounted for in the proprietary or trust funds.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

**General Long-Term Obligations Account Group**

This account group is used to account for all long-term obligations of the City except those accounted for in the proprietary or trust funds.

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed in all governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the period when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current year or soon thereafter to be used to pay liabilities of the year, which for the City is considered to be 60 days after year end.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2000 operations, have also been recorded as a deferred revenue.



**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

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 liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary funds are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year-end.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**C. BUDGETARY DATA**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinances. The tax budget, certificate of estimated resources, and appropriation ordinance are prepared on the cash basis as required by the County Budget Commission. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. All changes in appropriated amounts require action by the City Council.

**Tax Budget:**

A budget of estimated cash receipts and disbursements 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

**Estimated Resources:**

The County Budget Commission certifies its actions to the City by September 1. As part of this process, the City receives the official certificate of estimated resources, which states the projected

cash receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered cash balances from the preceding year. The amounts reported on the budgetary statements reflect the amounts in the final Amended Official Certificate of Estimated Resources.

**Appropriations:**

A temporary appropriation 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 appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year as new information becomes available provided that total appropriations do not exceed estimated resources, as certified.

At the end of the fiscal year, all unexpended and unencumbered balances of operating appropriations revert to the fund from which the appropriation was initially made, where they become subject to future appropriations. The unexpended balances of capital projects appropriations continue until the project is completed at which time any remaining appropriation reverts to the fund from which the appropriation was initially made.

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and 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 GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

**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 fiscal year and are not reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, program and/or object level.

**D. CASH AND CASH EQUIVALENTS**

Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled and invested in short-term investments in order to provide improved cash management. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999.

Each fund type's share of the pool is presented on the balance sheet in the account, "Equity in Pooled Cash and Investments." For the purpose of the presentation of the combined balance sheet, funds included within the City's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents.

Cash and cash equivalents that are held separately for the City by fiscal or escrow agents and not held with the City Treasurer are recorded on the balance sheet as "Cash with Fiscal Agent."

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

**E. INVENTORIES**

Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which

indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**F. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

**G. FIXED ASSETS AND DEPRECIATION**

The fixed asset values were initially determined at December 31, 1987, assigning original acquisition costs for the majority of assets. For certain assets where the original costs were not practicably determinable, other methods were used to estimate and assign costs.

Public domain ("infrastructure") general fixed assets consisting of streets and sidewalks are not capitalized by the City since they are immovable and of value only to the City. Sanitary sewers are capitalized so that the depreciation on these assets can be included in total costs to be recovered with sewer rates. The City has elected not to record depreciation in the General Fixed Assets Account Group, in accordance with generally accepted accounting principles for governmental entities. Depreciation is recorded in the proprietary fund types using the straight-line basis over the estimated useful lives of the related assets. The City has elected not to capitalize interest cost.

**H. STATEMENT OF CASH FLOWS**

For the purpose of the Statement of Cash Flows, the Proprietary Fund Type considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

**I. COMPENSATED ABSENCES**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. 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 actual leave balances taking into consideration any limits specified in the City's termination policy.

**J. CONTRIBUTED CAPITAL**

Contributed capital is recorded in the proprietary funds that have received capital grants or contributions from developers, customers or other funds. Tap in fees are recorded as contributed capital to the extent they exceed the actual costs of connection to the sewer system. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end, except for depreciation on assets acquired through grants, which is expensed and closed to contributed capital at year end.

**K. RESERVES OF FUND EQUITY**

The City records reservations for portions of fund balance that are segregated for specific future uses or which do not represent available expendable financial resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, supplies inventory, and prepaid expenses. The Special Revenue fund type had \$416,000 and the Capital Project fund type had \$592,005 reserved for a note receivable. \$141,015 has also been reserved for debt service in the Debt Service fund type.

**L. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for amounts accrued for postclosure costs of the municipal landfill.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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

**M. INTERFUND ASSETS AND LIABILITIES**

Receivables and payables arising between funds for goods provided or services rendered are classified as "due to / from other funds".

**N. INTERGOVERNMENTAL REVENUES**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the acquisition or construction of capital assets are recorded as contributed capital.

**O. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**P. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Monies held by the City are classified by State Statute into two categories. Active monies mean an amount of public monies determined to be necessary to meet current demand upon the City treasury. Active 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

Monies held by the City which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Governmental 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly with the City;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the City's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the City's total average portfolio.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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**NOTE 3 - DEPOSITS AND INVESTMENTS** (Continued)

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.

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the City had \$2,050 in undeposited cash on hand which is included on the balance sheet of the City as part of "Petty Cash".

**Deposits.** At year-end, the carrying amount of the City's deposits was \$9,230,418 and the bank balance was \$9,580,261. Of the bank balance:

- I. \$600,000 was covered by federal depository insurance.
2. \$8,980,261 was uninsured and uncollateralized. Although all statutory requirements for these deposits of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Investments.** Governmental Accounting Standards Board Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the City to categorize investments to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its 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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.



**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

	<u>Carrying Value</u>	<u>Market Value</u>
Investments in: STAR Ohio	\$ <u>6,353,064</u>	\$ <u>6,353,064</u>
Total	\$ <u>6,353,064</u>	\$ <u>6,353,064</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 15,584,633	\$ 0
Cash on Hand	(2,050)	0
STAR Ohio	<u>(6,353,064)</u>	<u>6,353,064</u>
GASB Statement 3	<u>\$ 9,229,549</u>	<u>\$ 6,353,064</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Basis)--All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts and disbursements. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements by type.

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
GAAP basis	\$1,683,013	\$ 260,050	\$ 3,867	\$ 2,314,149
Increase (Decrease) due to:				
Change in accrued assets not recognized in budget-- January 1 to December 31	(774,315)	301,583	0	(2,669,381)
Change in accrued liabilities not recognized in budget-- January 1 to December 31	<u>(417,282)</u>	<u>(825,032)</u>	<u>0</u>	<u>(421,985)</u>
Budget Basis	<u>\$ 491,416</u>	<u>\$(263,399)</u>	<u>\$3,867</u>	<u>\$(777,217)</u>

**NOTE 5 - ACCOUNTABILITY**

Fund Balance/Equity Deficits

Proprietary fund type - The Sanitation Enterprise fund has a deficit unreserved retained earnings at December 31, 1999 of \$4,104,378 as a result of recording loan payable amounts on the Balance Sheet. Under the budgetary basis, proceeds from loans are recognized as revenue; therefore, deficit does not exist. The General fund provides operating transfers upon City Council's approval when cash is required not when accruals occur.

**NOTE 6 - TAXES**

**A. PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Real property taxes collected in 1999 are levied after October 1, 1998 on the assessed value as of January 1, 1998, the lien date. Assessed values are established by State law at 35% of appraised market value. All property is required to be revalued every six years. 1998 real property taxes are collected in and intended to finance 1999 operations.

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - TAXES** (Continued)

Public utility property taxes are assessed on tangible personal property at true value (normally 88 percent of cost). Public utility property taxes paid in 1999 became a lien December 31, 1998, are levied after October 1, 1998 and are collected in 1999 with real property taxes. 1999 tangible personal property taxes are levied after October 1, 1998 on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of actual value.

The full tax rates applied to real property for the fiscal year ended December 31, 1999, per taxing district, per \$1,000 of assessed valuation are as follows:

Marion City School District	\$ 4.2
Elgin Local School District	3.2
Pleasant Local School District	1.5
River Valley Local School District	3.3
Ridgedale Local School District	2.0

The full tax rate was all inside millage; therefore no adjustment of the rate for inflationary increase in property values was made. The effective tax rate was the same per \$1,000 of assessed valuation for real property classified as residential/agricultural and other property. Real property owners' tax bills were reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Real Property-1999 Valuation	
Residential/Agricultural	\$203,677,680
Commercial/industrial	57,630,140
Public Utilities	146,210
Tangible Personal Property-1999 Valuation	
General	42,173,850
Public Utilities	<u>24,294,690</u>
Total Valuation	<u>\$327,922,570</u>

The Marion County Treasurer collects property tax on behalf of all taxing districts within Marion County including the City of Marion. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. The Marion County Auditor periodically remits to the City its portion of the taxes collected. Such collections are available only to pay current period liabilities. Collection of delinquent property taxes is the responsibility of the Marion County Auditor.

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - TAXES** (Continued)

**B. CITY INCOME TAX**

The City levies an income tax of 1 3/4% on the gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a full credit not to exceed the City's tax rate for taxes paid to other Ohio municipalities.

Income tax receipts, net of the related administrative costs, are disbursed, appropriated and allocated in accordance with Ordinance Nos. 1998-41 and 1988-92.

**NOTE 7 - RECEIVABLES**

The City's receivables at December 31, 1999, by fund type consist of the following:

	General	Special Revenue	Capital Projects	Enterprise	Trust & Agency	Total
Taxes-Property	\$ 1,079,343	\$ 192,060	\$ 0	\$ 0	\$ 0	\$1,271,403
Taxes-Local	1,122,863	108,552	36,184	0	0	1,267,599
Taxes-Inheritance Accounts	128,182 40,988	0 8,748	0 0	0 1,286,450	0 270	128,182 1,336,456
Intergovernmental	185,768	179,451	33,986	91,313	10,555	501,073
Interest	25,581	0	0	0	0	25,581
Notes	0	416,000	592,005	0	0	1,008,005
<b>Total</b>	<b>\$ 2,582,725</b>	<b>\$904,811</b>	<b>\$ 662,175</b>	<b>\$1,377,763</b>	<b>\$ 10,825</b>	<b>\$5,538,299</b>

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 1999. 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 1999 operations. The receivable is therefore offset by a credit to deferred revenue. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

City income taxes are accrued at December 31, 1999, to the extent of individual estimates and employee withholdings for the last quarter of 1999, which are due by January 31, 2000.

Residents are billed on a bimonthly basis for sewer service based upon the actual cycle billings, prorated by the various reading dates at the end of the year. This represents accounts receivable in the Enterprise funds.

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**NOTE 8 - PROPERTY, PLANT AND EQUIPMENT**

The property, plant and equipment values were initially determined at December 31, 1987, assigning original acquisition costs for the majority of assets. In cases where information supporting original costs was not practicably determinable, estimated costs were developed using various valuation methods.

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Asset Account Group. Contributed fixed assets are recorded at fair market value at the date received. Costs associated with the construction of infrastructure fixed assets are not capitalized in the General Fixed Assets Account Group in accordance with the City's accounting policy and, accordingly, are not reflected as additions in the General Fixed Assets Account Group.

A summary of Proprietary Fund type property, plant and equipment at December 31, 1999, by class and by individual fund is as follows:

	<u>Sanitation</u>	<u>Transit</u>	<u>Sewer</u>	<u>Swimming Pool</u>
Land	\$ 40,886	\$ 0	\$ 248,571	\$ 0
Land Improvements	0	86,988	1,350,032	399,574
Buildings and Structures	361,177	330,650	17,822,032	1,369
Machinery and Equipment	210,250	81,565	4,461,517	19,763
Furniture and Fixtures	4,089	1,560	45,163	572
Trucks, Autos & Buses	847,907	507,993	295,731	0
Construction-in-Progress	<u>3,000</u>	<u>0</u>	<u>983,794</u>	<u>0</u>
<b>Total</b>	<b>\$ 1,467,309</b>	<b>\$ 1,008,756</b>	<b>\$25,206,840</b>	<b>\$ 421,278</b>
Less-Accumulated Depreciation	<u>827,932</u>	<u>454,338</u>	<u>12,623,971</u>	<u>243,805</u>
<b>Net Property, Plant And Equipment</b>	<b><u>\$ 639,377</u></b>	<b><u>\$554,418</u></b>	<b><u>\$12,582,869</u></b>	<b><u>\$177,473</u></b>

  

	<u>Recycling</u>	<u>Storm Sewer</u>	<u>Utility Billing</u>	<u>Total</u>
Land	\$ 0	\$ 0	\$ 0	\$ 289,457
Land Improvements	0	0	0	1,836,594
Buildings and Structures	5,994	2,210,156	0	20,731,377
Machinery and Equipment	8,892	5,240	31,805	4,819,033
Furniture and Fixtures	0	0	4,687	56,071
Trucks, Autos & Buses	183,547	175,773	0	2,010,951
Construction-in-Progress	<u>0</u>	<u>1,282,734</u>	<u>0</u>	<u>2,269,528</u>
<b>Total</b>	<b>\$ 198,432</b>	<b>\$3,673,902</b>	<b>\$36,492</b>	<b>\$ 32,013,011</b>

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Less-Accumulated Depreciation	<u>69,197</u>	<u>83,040</u>	<u>25,643</u>	<u>14,327,926</u>
Net Property, Plant And Equipment	<u>\$ 129,235</u>	<u>\$3,590,861</u>	<u>\$10,849</u>	<u>\$17,685,083</u>

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. 1999 depreciation expense was \$972,635. Depreciable lives used for property items within each property classification are as follows:

<u>Classification</u>	<u>Life</u>
Land Improvements	10-25 Years
Buildings and Structures	10-40 Years
Machinery and Equipment	5-15 Years
Furniture and Fixtures	10 Years
Trucks, Autos and Buses	5-10 Years

A summary of general fixed assets at December 31, 1999, by class and the changes therein during 1999, is as follows:

	<u>Balance 1/1/99</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/99</u>
Land	\$ 2,437,635	\$ 0	\$ 999,248	\$ 1,438,387
Land Improvements	2,738,003	370,168	3,989	3,104,182
Buildings and Structures	6,371,632	591,648	0	6,963,280
Machinery and Equipment	2,342,499	162,246	53,168	2,451,577
Furniture and Fixtures	238,517	2,118	2,044	238,591
Trucks, Autos and Buses	2,590,207	196,176	20,095	2,766,288
Construction in Progress	<u>1,573,452</u>	<u>1,273,500</u>	<u>1,573,451</u>	<u>1,273,501</u>
Total	<u>\$ 18,291,945</u>	<u>\$ 2,595,856</u>	<u>\$ 2,651,995</u>	<u>\$ 18,235,806</u>

**NOTE 9 - DEBT OBLIGATIONS**

A listing of the changes in the debt of the City for the year ended December 31, 1999 follows:

	<u>Balance 1/1/99</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/99</u>
Short-Term Debt				
Note Payable	\$ 2,100,000	\$ 2,020,000	\$ 4,120,000	\$ 0
Note Payable	<u>0</u>	<u>600,000</u>	<u>600,000</u>	<u>0</u>
Total Short-term Debt	<u>2,100,000</u>	<u>2,620,000</u>	<u>4,720,000</u>	<u>0</u>

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**NOTE 9 - DEBT OBLIGATIONS (Continued)**

	<u>Balance 1/1/99</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/99</u>
<b>General Long-Term Debt</b>				
Police & Fire Pension Acc. Liab.	1,581,819	0	28,355	1,553,464
Compensated Absences	2,264,808	302,395	0	2,567,203
10.5% Municipal Building Bond, 1984 through 1999	100,000	0	100,000	0
10.5% Street Improvement Bonds, 1984 through 1999	14,000	0	14,000	0
10.5% Fire Station Bonds, 1984 through 1999	14,000	0	14,000	0
10.5% Airport Improvement Bonds, 1984 through 1999	7,000	0	7,000	0
5.25% Taxable Housing Bonds, 1999 through 2019	0	600,000	0	600,000
Special Assessment Bonds: 9 7/8% Street Improvement Bonds, 1983 through 2002	<u>140,000</u>	<u>0</u>	<u>35,000</u>	<u>105,000</u>
<b>Total General Long-Term Debt</b>	<b><u>\$4,121,621</u></b>	<b><u>\$902,395</u></b>	<b><u>\$198,355</u></b>	<b><u>\$4,825,667</u></b>
<b>Enterprise Debt</b>				
Landfill Post Closure	3,037,500	0	121,500	2,916,000
4.56% OWDA Loan, due through 2017	2,140,055	0	82,162	2,057,893
0% OPWC Loan, due through 2015	560,000	0	35,000	525,000
0% OPWC Loan, due through 2014	0	157,168	5,239	151,929
4.35% OWDA Loan, due through 2016	2,446,027	0	99,745	2,346,282
3.53% Storm Sewer Notes Due 12/15/99	3,567,000	0	3,567,000	0

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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3.53% Sanitary Sewer Notes Due 12/15/99	1,383,000	0	1,383,000	0
4.30% Storm Sewer Notes Due 11/16/00	0	5,500,000	0	5,500,000
4.30% Sanitary Sewer Notes Due 11/16/00	0	1,600,000	0	1,600,000
10.5% Sewer System Bonds, 1984 through 1999	<u>40,000</u>	<u>0</u>	<u>40,000</u>	<u>0</u>
Total Enterprise Debt	<u>\$13,173,582</u>	<u>\$7,257,168</u>	<u>\$5,333,646</u>	<u>\$15,097,104</u>
 Total Debt	 <u>\$19,395,203</u>	 <u>\$10,779,563</u>	 <u>\$10,252,001</u>	 <u>\$19,922,771</u>

General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

The Ohio Water Development Authority (OWDA) loans are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts.

Outstanding special assessment bonds consist of street improvement bonds for which the full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest at maturity. However, it is anticipated that proceeds of tax assessments against individual property owners will finance this debt. The City has the ability to issue \$18,035,741 of additional debt without obtaining voter approval.

A summary of the City's future debt service requirements as of December 31, 1999 follows:

Future Payments Due In	General Long-Term Debt Account Group		Enterprise Fund	
	Principal	Interest	Principal	Interest
2000	\$ 53,000	\$ 41,397	\$ 7,335,560	\$ 499,114
2001	54,000	36,969	244,103	182,271
2002	55,000	32,489	253,031	176,344
2003	20,000	27,983	262,358	167,016
2004	22,000	26,880	272,107	157,267
2005 - 2016	<u>501,000</u>	<u>222,053</u>	<u>3,813,949</u>	<u>947,862</u>
Total	<u>\$ 705,000</u>	<u>\$ 387,771</u>	<u>\$12,181,108</u>	<u>\$2,129,874</u>

**NOTE 10 - BONDS PAYABLE**

The GLTDAG fund type has a bond payable in the amount of \$ 600,000 as of December 31, 1999. The bond payable is related to the Harding Center project. The bond is backed by the full faith and credit of Marion City. The Marion Senior Housing Limited Partnership entered into a loan agreement with the City obligating the Partnership to pay the City the amount necessary to retire the bond. This is reflected as a note receivable in the Capital Projects fund.



**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains six Enterprise funds. The operations of these funds are accounted for, financed and recorded in a manner similar to that of private enterprise whereby it is the City's intent that the costs of providing these goods or services be financed primarily through user charges.

Segment Information for the year ended December 31, 1999 is as follows:

	<u>Transit</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Recycling</u>	<u>Swimming Pool</u>	<u>Storm Total Sewer</u>	<u>All Funds</u>
Operating Revenues	\$ 66,313	\$3,181,469	\$1,628,301	\$ 187,850	\$ 45,910	\$944,645	\$6,054,488
Depreciation	84,853	728,487	69,369	19,411	19,628	48,532	970,550
Operating Income (Loss)	(624,239)	(28,590)	313,167	(20,506)	(61,455)	227,255	(194,368)
Operating Grants	480,948	0	0	0	0	0	480,948
Operating Interfund Transfers (Net)	(10,000)	0	0	0	0	(52,000)	(62,000)
Net Income (Loss)	(122,397)	(186,167)	150,429	(22,368)	(9,454)	862,113	672,156
Current Capital Contribution	45,415	0	0	0	0	495,190	540,605
Property, Plant & Equipment							
Additions	56,672	1,765,224	16,693	0	0	1,358,404	3,196,993
Dispositions	25,193	11,092	4,500	0	0	0	40,785
Net Working Capital	13,513	4,177,80	626,109	126,730	18,984	5,520,463	10,483,602
Total Assets	601,497	17,437,334	1,411,827	269,373	196,845	9,570,353	29,487,229
Bonds and Other Long-Term Liabilities Payable from							
Operating Revenues	64,760	4,497,165	5,354,163	21,565	0	5,500,000	15,437,653
Total Equity and Other Credits	\$503,171	\$12,263,506	\$(4,088,678)	\$234,401	\$196,457	\$3,611,325	\$12,720,182

**NOTE 12 – PENSION AND RETIREMENT PLANS**

The employees of the City are covered by either the Public Employees Retirement System of Ohio or the Ohio Police and Fire Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

The Public Employees Retirement System (PERS) of Ohio is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642.

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 12 – PENSION AND RETIREMENT PLANS (Continued)**

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees. The employer contribution rate was 13.55 percent of covered payroll. The City's contributions for pension obligations to PERS for the years ended December 31, 1999, 1998, and 1997 were \$515,503, \$499,187, and \$475,565 respectively; 77 percent representing the paid contribution for 1999 and 100 percent for 1998 and 1997. \$119,944 representing the unpaid contribution for 1999 is recorded as a liability within the respective funds.

**B. OHIO POLICE AND FIRE PENSION FUND (OP&F)**

The Ohio Police and Fire Pension Fund (OP&F), is 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. The 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Marion City's contributions to OP&F for the years ending December 31, 1999, 1998, and 1997 were \$771,812, \$752,889, and \$707,028, respectively, equal to the required contributions for the year. 77% has been contributed for 1999 and 100 percent for 1998 and 1997. \$181,354 representing the unpaid contribution for 1999, is recorded as a liability within the respective funds.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

The Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care.

The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was

13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care for the year 1999.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

**CITY OF MARION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999 the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

**B. OHIO POLICE AND FIRE PENSION FUND (OP&F)**

The Ohio Police and Fire Pension Fund provides post-retirement health care coverage to any person who received or is eligible to receive a monthly 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. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.50 percent of covered payroll and the total firefighter employer contribution is 24.00 percent of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the Fund'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 6.6% and 7.0% of covered payroll in 1998 and 1999 respectively. The allocation is 7.25% in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, the date of the last actuarial valuation available, are 11,424 for Police and 9,186 for Firefighters. The City's actual contributions for 1999 that were used to pay post-employment benefits were \$185,233 for Police and \$181,912 for Firefighters. The fund's total health care expenses for the year ending December 31, 1998, the date of the last actuarial valuation available, was \$78,596,790 which was net of member contributions of \$5,331,515.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 14 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws.

Sick leave is earned at the rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit. Each full-time permanent non-bargaining employee with ten or more years of service with the City, is paid for one-third of the employee's earned unused sick leave upon retirement, up to a maximum of 45 days. All other full time employees unused sick leave paid upon retirement are governed by the respective bargaining unit agreement. Sick leave is accrued in the period in which the employee becomes eligible for payment. The liability is based on the sick leave accumulated at December 31 by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The City records a liability for accumulated sick leave for employees that have 10 or more years of service.

For all employees other than Police and Fire Department employees and Water Pollution Control operators, vacation leave is earned at rates which vary depending upon length of service. Current policy permits vacation leave to be accumulated and carried forward to the successive year up to a maximum of fifteen weeks, with the Service/Safety Director's approval.

For Police and Fire Department employees and Water Pollution Control operators, vacation leave and holidays are earned at rates which vary depending on length of service and standard work week up to a maximum of thirty-nine, eight-hour days per year for Fire Department employees on a forty hour work week, twenty-three, twenty-four-hour days per year for employees on a forty-eight-hour work week, thirty-seven eight hour days for Police Department employees on a forty hour work week, and thirty-seven eight and one half hour days for employees on a forty-two and one half hour work week. The City records a liability for all accumulated vacation leave.

For all employees other than Police and Fire Department employees in lieu of overtime pay, the full time permanent employee, may, upon request, receive and accrue compensatory time at the rate of time and one-half for the hours of overtime worked, up to a maximum accrual of eighty hours. Communications and Corrections officers, at their option may accumulate up to two hundred forty hours of compensatory time. Police officers, at their option, may accumulate up to four hundred eighty hours of compensatory time. Firefighters, at their option, may accumulate up to three hundred sixty hours of compensatory time.

For Governmental Funds, the current portion of unpaid compensated absences is that amount expected to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. An accrual of \$348,583 for compensated absences payable is reported within the Proprietary fund type at 12/31/99.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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**NOTE 15 - ACCRUED LIABILITY FOR POLICE AND FIREMEN'S PENSION FUND**

The City's liability for past service costs relating to the Police and Firemen's Pension Fund at December 31, 1998 was \$ 1,581,819. Total payments made on this liability in 1999 were \$28,355, leaving a liability of \$1,553,464 at 12/31/99.

**NOTE 16 - FEDERAL FINANCIAL ASSISTANCE**

For the period January 1, 1999 through December 31, 1999, the City received federal financial assistance shared revenues amounting to \$ 1,812,391 for specific purposes. The federal programs have been audited under Single Audit guidelines.

**NOTE 17 - CONSTRUCTION COMMITMENTS**

As of 12/31/99, the City had the following outstanding construction commitments:

Dual Rail Infrastructure Project	\$ 338,309
Airport Improvement Projects	117,739
Storm Sewer Projects	948,646
Sanitary Sewer Projects	<u>1,059,675</u>
Total Construction Commitments	<u>\$2,464,369</u>

**NOTE 18 - PENDING LITIGATION, CLAIMS, ETC.**

The City is the defendant in various lawsuits. The majority are about to be settled. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not have a material adverse effect on the financial condition of the City.

**NOTE 19 - LANDFILL POSTCLOSURE CARE COSTS**

State and Federal laws and regulations require that the City of Marion place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The landfill stopped accepting waste in 1992. An expense provision and related liability were recognized in 1993 based on the estimated postclosure care costs to be incurred after the date the landfill stopped accepting waste. The estimated liability for landfill postclosure care costs has a balance of \$2,916,000 as of December 31, 1999, which is based on 100% usage (filled) of the landfill. The estimated total current costs of the landfill postclosure care (\$2,916,000) are based on the amount that

would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 1999. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The City of Marion demonstrates financial assurance for its postclosure obligations by meeting the "Local Government Financial Test".

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

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**NOTE 20 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has entered into contracts with the Ohio Municipal League Joint Self-Insurance Pool for insurance with the following amounts of coverage and deductibles:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (Building and Contents)	37,533,120	1,000
Earthquake	500,000	5,000
Electronic Data and Equipment	203,655	250
Valuable Papers and Records	100,000	1,000
Extra Expense	50,000	1,000
Employee Benefits Liability (per occurrence)	1,000,000	5,000
Employee Benefits Liability (aggregate)	5,000,000	5,000
Public Official Liability	5,000,000	5,000
Police Professional Liability	5,000,000	5,000
General Liability (per occurrence)	5,000,000	5,000
General Liability (aggregate)	5,000,000	5,000
Contractors Equipment	401,900	250
Auto Fleet liability/Physical Damage	5,000,000	100/500/1000
EMT Professional Liability	5,000,000	5,000
Employee Clothes and Tools	25,000	250
Uninsured Motorists	25,000	0
Stop Gap	100,000	0

Settled claims have not exceeded commercial coverage in any of the past three years.

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**CITY OF MARION  
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through the Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	214-D	10.557	243,595
<b>Total U.S. Department of Agriculture</b>			<u>243,595</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Public Partnership and Community Policing Grants ("Cops Grants")	95-CF-WX-4813	16.710	238,549
Law Enforcement Block Grant	97-LB-VX-2550	16.592	22,622
Violence Against Women Grant	97-WF-VA7-8110	16.588	16,602
Violence Against Women Grant	97-WF-VA7-8110	16.588	49,355
<b>Total - U.S. Department of Justice</b>			<u>327,128</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through the Ohio Department of Aging</i>			
Title III-B - Special Programs for the Aging	N/A	93.044	51,304
<i>Passed through the Ohio Department of Health</i>			
Preventive Health	214-I	93.991	14,599
<b>Total U.S. Department of Health and Human Services</b>			<u>65,903</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed through the Ohio Department of Health</i>			
Special Education - Grant for Infants and Families with Disabilities	214-E	84.181	72,755
<b>Total U.S. Department of Education</b>			<u>72,755</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Federal Aviation Administration Airport Improvement Program	AIP-FA98-DET-008	20.106	171,098
<i>Passed through the Ohio Department of Transportation</i>			
Federal Transit Capital and Operating Assistance Formula Grant	RPT-4051-016-991	20.507	244,868
<b>Total U.S. Department of Transportation</b>			<u>415,966</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grant - State's Program	A-C-98-142-1	14.228	207,361
	A-D-98-142-1		237,000
	A-F-97-142-1		26,799
	A-F-98-142-1		215,884
<b>Total U.S. Department of Housing and Urban Development</b>			<u>687,044</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u><u>\$ 1,812,391</u></u>



**CITY OF MARION  
MARION COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**FOR THE YEAR ENDED DECEMBER 31, 1999**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

These loans are collateralized by liens placed on personal property. At December 31, 1999, the gross amount of loans outstanding under this program was \$491,834, including \$75,834 of delinquent amounts due.

**NOTE C - MATCHING REQUIREMENTS**

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

**NOTE D - PASS THROUGH ENTITY NUMBERS**

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

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# REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street

Findlay, Ohio 45840

419-422-6131

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City Council  
City of Marion  
233 West Center Street  
Marion, Ohio 43301

We have audited the general purpose financial statements of the City of Marion, Marion County, Ohio, (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 17, 2000, wherein we noted that the City changed its method of accounting for deferred compensation plans. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 16, 2000.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider item 1999-001 to be a material weakness. We noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 16, 2000.

This report is intended for the information of the audit committee, management 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.

June 16, 2000  
Findlay, Ohio

**REICHERT & ASSOCIATES, CPA'S**  
Certified Public Accountants

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# REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street

Findlay, Ohio 45840

419-422-6131

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

City Council  
City of Marion  
233 West Center Street  
Marion, Ohio 43301

### **Compliance**

We have audited the compliance of the City of Marion, Marion 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 each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

### **Internal Control Over Compliance**

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

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

This report is intended for the information of the audit committee, management 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.

June 16, 2000  
Findlay, Ohio

**REICHERT & ASSOCIATES, CPA'S**  
Certified Public Accountants

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**CITY OF MARION  
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #14.228 Community Development Block Grant/State's Program  CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type AIB Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**CITY OF MARION  
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A - 133 § .505  
(Continued)**

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

<b>Finding Number</b>	<b>1999-001</b>
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**Record Keeping of the Recreation Department**

In 1999, the financial activity of the Recreation Department was not kept in a satisfactory manner. A cash book with pre-numbered receipts was missing. The totals on the report did not match the services lead schedule, and some of the receipts were not recorded but were deposited. As a result, the figures on the Recreational Department books were not totally supported with cash receipts.

City Council should adopt policies and procedures to ensure that all financial activity is correctly accounted for on a daily basis. The policies should address contingency plans to ensure, in the absence of the clerk/treasurer, that financial activity is summarized and posted in a timely manner by authorized personnel.

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

**NONE**



**CITY OF MARION  
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i>Explain:</i></b>
1998-20651-004	Year 2000 Compliance	Yes	
1998-20651-002	Allowability - COPS FAST Grant unallowable overtime pay	Yes	
1998-20651-003	Allowability - Title III-B unallowed grant expenditures	Yes	





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140  
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800-282-0370

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**CITY OF MARION**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 26, 2000**