



**CITY OF MARION  
MARION COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF MARION  
MARION COUNTY**

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

City of Marion  
Marion County  
233 West Center Street  
Marion, OH 43301

To the City Council:

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, 2000, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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. We subjected this information 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.

**JIM PETRO**  
Auditor of State

June 19, 2001

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City of Marion  
 Combined Balance Sheet - All Fund Types and Account Groups  
 December 31, 2000

	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	
<u>Assets and Other Debits:</u>										
<u>Assets:</u>										
Equity in Pooled Cash and Cash Equivalents	\$3,742,255	\$975,832	\$326,537	\$284,959	\$7,998,063	\$16,809	\$226,527			\$13,570,982
Investments	582,000									\$582,000
Cash With Fiscal Agent			288							288
Petty Cash	1,110	150			380	400	40			2,080
Due From Other Funds	51,519	6,141			10,223	8,944				76,827
Interfund Receivables	25,000									25,000
Receivables (Net of Allowance for Uncollectibles):										
Interest	29,402									29,402
Accounts	42,562	733			1,593,440	75	963			1,637,773
Property Taxes	1,132,741	201,678								1,334,419
Inheritance Tax	33,788									33,788
Local Taxes	1,348,235	130,474		43,491						1,522,200
Intergovernmental	112,256	142,875			176,316					431,447
Notes Receivable		779,140	574,266							1,353,406
Prepaid Items	76,597	18,572			49,211					144,380
Supplies Inventory	37,405	29,136			55,079	626				122,246
Fixed Assets (net, where applicable, of accumulated depreciation)					21,186,013	26,922		18,696,696		39,909,631
<u>Other Debits:</u>										
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations									180,430	180,430
Amount to be Provided for Retirement of General Long-Term Obligations									6,385,849	6,385,849
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds									146,107	146,107
<b>Total Assets and Other Debits</b>	<b>\$7,214,870</b>	<b>\$2,284,731</b>	<b>\$901,091</b>	<b>\$328,450</b>	<b>\$31,068,725</b>	<b>\$53,776</b>	<b>\$227,530</b>	<b>\$18,696,696</b>	<b>\$6,712,386</b>	<b>\$67,488,255</b>

City of Marion  
 Combined Balance Sheet - All Fund Types and Account Groups  
 December 31, 2000

	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	
Liabilities, Fund Equity, and Other Credits:										
Liabilities:										
Accounts Payable	\$90,822	\$73,902		\$16,058	\$345,686	\$3,223	\$6,131			\$535,822
Accrued Payroll	297,951	88,749			82,278	4,929				473,907
Accrued PERS	60,602	39,541			51,128	2,189				153,460
Accrued Worker Compensation	265,673	77,899			72,659	4,040				420,271
Accrued Police & Fire Pension	237,000	111,196								348,196
Matured Bonds & Interest Payable			288							288
Other Payables	3,424	806			806	54	87,701			92,791
Interfund Payables				25,000						25,000
Due to Other Funds	3,528	4,213			15,595		53,491			76,827
Due to Other Governments	3,889	1,385			10,350		56,328			71,952
Deferred Property Taxes	1,085,566	193,594								1,279,160
Deferred Inheritance Tax	33,788									33,788
Deferred Revenue					4,513					4,513
Loans Payable					5,614,473			2,105,884		7,720,357
Bonds Payable					7,585,000			1,727,000		9,312,000
Compensated Absences	179,471	40,756			420,651	10,748		2,809,502		3,461,128
Landfill Postclosure Payable					2,794,500					2,794,500
Special Assessment Bonds Payable									70,000	70,000
<b>Total Liabilities</b>	<b>2,261,714</b>	<b>632,041</b>	<b>288</b>	<b>41,058</b>	<b>16,997,639</b>	<b>25,183</b>	<b>203,651</b>	<b>0</b>	<b>6,712,386</b>	<b>26,873,960</b>
Fund Equity and Other Credits:										
Investment in General Fixed Assets								18,696,696		18,696,696
Contributed Capital					4,405,312	19,408				4,424,720
Retained Earnings					9,665,774	9,185				9,674,959
Fund Balance:										
Reserved for Supplies Inventory	37,405	29,136								66,541
Reserved for Encumbrances	166,759	261,395		55,651						483,805
Reserved for Prepays	76,597	18,572								95,169
Reserved for Notes Receivable		779,140	574,266							1,353,406
Reserved for Investments	582,000									582,000
Reserved for Debt Service			326,537							326,537
Unreserved, Undesignated (Deficit)	4,090,395	564,447	0	231,741			23,879			4,910,462
<b>Total Fund Equity and Other Credits</b>	<b>4,953,156</b>	<b>1,652,690</b>	<b>900,803</b>	<b>287,392</b>	<b>14,071,086</b>	<b>28,593</b>	<b>23,879</b>	<b>18,696,696</b>	<b>0</b>	<b>40,614,295</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$7,214,870</b>	<b>\$2,284,731</b>	<b>\$901,091</b>	<b>\$328,450</b>	<b>\$31,068,725</b>	<b>\$53,776</b>	<b>\$227,530</b>	<b>\$18,696,696</b>	<b>\$6,712,386</b>	<b>\$67,488,255</b>

See Accompanying Notes to the General Purpose Financial Statements

City of Marion, Ohio  
 Combined Statement of Revenues, Expenditures and Changes In Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For The Year Ended December 31, 2000

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$11,354,030	\$1,332,091	\$164,265	\$306,095		\$13,156,481
Intergovernmental Revenues	2,351,778	2,407,833		296,388		5,055,999
Special Assessments	3,824	22,081	44,650			70,555
Charges for Services	139,971	87,643		8,894		236,508
Fines, Licenses, and Permits	934,264	93,891				1,028,155
Miscellaneous	629,095	97,326	42,426	13,171	16,405	798,423
<b>Total Revenues</b>	<b>15,412,962</b>	<b>4,040,865</b>	<b>251,341</b>	<b>624,548</b>	<b>16,405</b>	<b>20,346,121</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	10,280,536	1,057,987		198,398	11,065	11,547,986
Public Health Services		903,597				903,597
Leisure Time Activities	416,009	434,824		69,048	1,371	921,252
Community Environment	297,854	350,694		92,618		741,166
Transportation	279,031	2,145,697		274,314		2,699,042
General Government	2,594,354	19,049		32,769		2,646,172
Capital Outlay	165,187	234,520				399,707
Debt Service			94,396			94,396
<b>Total Expenditures</b>	<b>14,032,971</b>	<b>5,146,368</b>	<b>94,396</b>	<b>667,147</b>	<b>12,436</b>	<b>19,953,318</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>1,379,991</b>	<b>(1,105,503)</b>	<b>156,945</b>	<b>(42,599)</b>	<b>3,969</b>	<b>392,803</b>
<b>Other Financing Sources/(Uses):</b>						
Sale of Bonds	1,137,792					1,137,792
Proceeds of Loan				338,483		338,483
Operating Transfers-In		1,016,928				1,016,928
Operating Transfers-Out	(1,123,928)	0				(1,123,928)
Other Financing Sources	27,275	36,710		1,722		65,707
Other Financing Uses	(285,292)	(77,859)		(174)		(363,325)
<b>Total Other Financing Sources/(Uses)</b>	<b>(244,153)</b>	<b>975,779</b>	<b>0</b>	<b>340,031</b>	<b>0</b>	<b>1,071,657</b>
<b>Excess (Deficiency) of revenues &amp; other financing sources over expenditures &amp; other financing uses</b>	<b>1,135,838</b>	<b>(129,724)</b>	<b>156,945</b>	<b>297,432</b>	<b>3,969</b>	<b>1,464,460</b>
<b>Beginning Fund Balance (restated, see note 20)</b>	<b>3,817,318</b>	<b>1,782,414</b>	<b>743,858</b>	<b>(10,040)</b>	<b>19,910</b>	<b>6,353,460</b>
<b>Ending Fund Balance</b>	<b>\$4,953,156</b>	<b>\$1,652,690</b>	<b>\$900,803</b>	<b>\$287,392</b>	<b>\$23,879</b>	<b>\$7,817,920</b>

See Accompanying Notes to the 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, 2000

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Taxes	\$11,097,159	\$11,122,361	\$25,202	\$1,307,561	\$1,309,511	\$1,950
Intergovernmental Revenues	2,307,464	2,349,783	42,319	3,381,097	2,443,200	(937,897)
Special Assessments	3,824	3,824	0	18,749	18,749	0
Charges for Services	153,223	139,099	(14,124)	85,300	86,535	1,235
Fines,Licenses,and Permits	1,055,890	960,970	(94,920)	115,300	95,033	(20,267)
Miscellaneous	575,200	624,310	49,110	175,345	108,910	(66,435)
Total Revenues	15,192,760	15,200,347	7,587	5,083,352	4,061,938	(1,021,414)
<u>Expenditures:</u>						
Current:						
Security of Persons and Property	10,349,733	10,051,363	298,370	1,102,145	1,001,779	100,366
Public Health Services	0	0	0	1,001,422	904,381	97,041
Leisure Time Activities	467,278	413,780	53,498	508,433	468,919	39,514
Community Environment	395,404	299,907	95,497	1,210,284	438,071	772,213
Basic Utility Services	0	0	0	0	0	0
Transportation	307,294	287,719	19,575	2,914,450	2,774,228	140,222
General Government	2,760,281	2,586,355	173,926	125,134	27,997	97,137
Capital Outlay	359,260	334,722	24,538	474,698	388,225	86,473
Debt Service	18,678	18,678	0	0	0	0
Total Expenditures	14,657,928	13,992,524	665,404	7,336,566	6,003,600	1,332,966
Excess (Deficiency) of revenues over expenditures	534,832	1,207,823	672,991	(2,253,214)	(1,941,662)	311,552
Other Financings Sources/(Uses):						
Proceeds of Bonds	1,137,792	1,137,792	0			0
Operating Transfers-In	0	0	0	1,109,515	1,016,928	(92,587)
Operating Transfers-Out	(1,216,600)	(1,123,928)	92,672	0	0	0
Advances In	0	215,483	215,483	0	15,000	15,000
Advances Out	0	(218,309)	(218,309)	0	(37,000)	(37,000)
Other Financing Sources	11,000	29,854	18,854	52,000	78,066	26,066
Other Financing Uses	(302,000)	(285,292)	16,708	(202,720)	(84,341)	118,379
Total Other Financings Sources/(Uses)	(369,808)	(244,400)	125,408	958,795	988,653	29,858
Excess (Deficiency) of revenues & other financing sources over expenditures & other financing uses	165,024	963,423	798,399	(1,294,419)	(953,009)	341,410
Beginning Fund Balance	2,851,813	2,851,813	0	640,939	640,939	0
Prior Year Encumbrances Appropriated	251,434	251,434	0	951,757	951,757	0
Ending Fund Balance	<u>\$3,268,271</u>	<u>\$4,066,670</u>	<u>\$798,399</u>	<u>\$298,277</u>	<u>\$639,687</u>	<u>\$341,410</u>

See Accompanying Notes to the 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, 2000

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)
\$164,265	\$164,265	\$0	\$293,143	\$317,263	\$24,120	\$12,862,128	\$12,913,400	\$51,272
0	0	0	904,659	668,857	(235,802)	6,593,220	5,461,840	(1,131,380)
46,000	44,650	(1,350)	0	0	0	68,573	67,223	(1,350)
0	0	0	22,500	8,894	(13,606)	261,023	234,528	(26,495)
0	0	0	0	0	0	1,171,190	1,056,003	(115,187)
53,922	60,165	6,243	18,000	13,171	(4,829)	822,467	806,556	(15,911)
264,187	269,080	4,893	1,238,302	1,008,185	(230,117)	21,778,601	20,539,550	(1,239,051)
0	0	0	198,627	198,398	229	11,650,505	11,251,540	398,965
0	0	0	0	0	0	1,001,422	904,381	97,041
0	0	0	93,982	87,524	6,458	1,069,693	970,223	99,470
0	0	0	357,752	345,490	12,262	1,963,440	1,083,468	879,972
0	0	0	0	0	0	0	0	0
0	0	0	643,860	395,276	248,584	3,865,604	3,457,223	408,381
0	0	0	119,748	89,901	29,847	3,005,163	2,704,253	300,910
0	0	0	101,504	0	101,504	935,462	722,947	212,515
95,369	94,396	973	0	0	0	114,047	113,074	973
95,369	94,396	973	1,515,473	1,116,589	398,884	23,605,336	21,207,109	2,398,227
168,818	174,684	5,866	(277,171)	(108,404)	168,767	(1,826,735)	(667,559)	1,159,176
0	0	0	0	0	0	1,137,792	1,137,792	0
0	0	0	23,170	0	(23,170)	1,132,685	1,016,928	(115,757)
0	0	0	(17,773)	0	17,773	(1,234,373)	(1,123,928)	110,445
0	0	0	0	113,309	113,309	0	343,792	343,792
0	0	0	0	(88,483)	(88,483)	0	(343,792)	(343,792)
0	0	0	1,723	1,723	0	64,723	109,643	44,920
0	0	0	0	0	0	(504,720)	(369,633)	135,087
0	0	0	7,120	26,549	19,429	596,107	770,802	174,695
168,818	174,684	5,866	(270,051)	(81,855)	188,196	(1,230,628)	103,243	1,333,871
151,853	151,853	0	(343,271)	(343,271)	0	3,301,334	3,301,334	0
0	0	0	638,377	638,377	0	1,841,568	1,841,568	0
\$320,671	\$326,537	\$5,866	\$25,055	\$213,251	\$188,196	\$3,912,274	\$5,246,145	\$1,333,871

City of Marion  
 Combined Statement of Revenues,  
 Expenses, and Changes in Fund Equity  
 Proprietary Fund Types  
 For the Year Ended December 31, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
<u>Operating Revenues:</u>			
Charges for Services	\$6,867,926	\$165,496	\$7,033,422
Miscellaneous	4,848	929	5,777
Total Operating Revenues	<u>6,872,774</u>	<u>166,425</u>	<u>7,039,199</u>
<u>Operating Expenses:</u>			
Personal Services	2,965,783	139,006	3,104,789
Travel Transportation	777	202	979
Contractual Services	1,351,094	16,133	1,367,227
Materials & Supplies	560,143	18,647	578,790
Depreciation	1,022,984	3,727	1,026,711
Other Operating Expenses	309,928	150	310,078
Change to Landfill Postclosure Costs	(37,886)	0	(37,886)
Total Operating Expenses	<u>6,172,823</u>	<u>177,865</u>	<u>6,350,688</u>
Operating Income (Loss)	<u>699,951</u>	<u>(11,440)</u>	<u>688,511</u>
<u>Non-Operating Revenues/(Expenses):</u>			
Interest Expense	(550,095)	0	(550,095)
Other Non-Operating Revenue	1,060,605	445	1,061,050
Other Non-Operating Expenses	(285,545)	0	(285,545)
Total Non-Operating Revenue	<u>224,965</u>	<u>445</u>	<u>225,410</u>
Income Before Operating Transfers	924,916	(10,995)	913,921
Operating Transfers In	<u>107,000</u>	<u>0</u>	<u>107,000</u>
Net Income (Loss)	1,031,916	(10,995)	1,020,921
Retained Earnings at Beginning of Year	8,221,160	18,357	8,239,517
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>412,698</u>	<u>1,823</u>	<u>414,521</u>
Retained Earnings at End of Year	<u>9,665,774</u>	<u>9,185</u>	<u>9,674,959</u>
Contributed Capital at Beginning of Year	4,499,022	1,431	4,500,453
Depreciation on Fixed Assets Acquired by Contributed Capital	(412,698)	(1,823)	(414,521)
Contributed Capital - Intergovernmental	<u>318,988</u>	<u>19,800</u>	<u>338,788</u>
Contributed Capital at End of Year	<u>4,405,312</u>	<u>19,408</u>	<u>4,424,720</u>
Ending Fund Equity	<u>\$14,071,086</u>	<u>\$28,593</u>	<u>\$14,099,679</u>

See Accompanying Notes to the General Purpose Financial Statements

City of Marion  
 Combined Statement of Cash Flows  
 Proprietary Fund Types  
 For the Year Ended December 31, 2000

	Enterprise	Internal Service	Total
<u>Cash Flows from Operating Activities:</u>			
Operating Income (Loss)	\$699,951	(\$11,440)	\$688,511
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>			
Depreciation	1,022,984	3,727	1,026,711
(Increase)/Decrease in Due From Other Funds	(8,104)	1,322	(6,782)
(Increase) in Receivables - Accounts	(299,612)		(299,612)
Decrease in Intergovernmental Receivable	439		439
Decrease in Prepaid Items	3,394		3,394
Decrease in Supplies Inventory	6,472	259	6,731
Increase/(Decrease) in Accounts Payable	(800,369)	2,152	(798,217)
Increase in Accrued Payroll	5,667	1,069	6,736
Decrease in Accrued PERS	(14,915)	(1,019)	(15,934)
Increase in Accrued Workers' Compensation	55,419	3,281	58,700
Increase in Other Payables	157	17	174
Increase in Due to Other Funds	2,472		2,472
Decrease in Deferred Revenue	(48)		(48)
Increase/(Decrease) in Due To Other Governments	483	(15)	468
(Decrease) in Post-Closure Payable	(121,500)		(121,500)
Increase (Decrease) in Compensated Absences	80,102	2,714	82,816
Total Adjustments	<u>(66,959)</u>	<u>13,507</u>	<u>(53,452)</u>
Net Cash Provided by Operating Activities	632,992	2,067	635,059
<u>Cash Flows from Noncapital Financing Activities:</u>			
Receipts of Operating Grants	714,836		714,836
Operating Transfers - In	107,000		107,000
Other Nonoperating Revenues	2,041	370	2,411
Other Nonoperating Expenses	(169,610)		(169,610)
Net Cash Provided by Noncapital Financing Activities	<u>654,267</u>	<u>370</u>	<u>654,637</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Receipts of Capital Grants	318,988		318,988
Proceeds from Sale of Assets	4,576		4,576
Acquisition of Fixed Assets	(4,548,397)		(4,548,397)
Proceeds from Sale of Bonds	7,536,760		7,536,760
Payments for Bond Issuance Costs	(118,180)		(118,180)
Proceeds from OWDA Loan	913,713		913,713
Principal Payments of Notes	(7,100,000)		(7,100,000)
Principal Payments on OWDA Loan	(334,866)		(334,866)
Principal Payments on OPWC Loan	(45,478)		(45,478)
Interest Payments on Notes	(293,427)		(293,427)
Interest Payments on OWDA Loan	(208,428)		(208,428)
Net Cash Used for Capital and Related Financing Activities	<u>(3,874,739)</u>	<u>0</u>	<u>(3,874,739)</u>
<u>Cash Flows from Investing Activities</u>			
Interest Receipts	266,966	0	266,966
Net Cash Provided for Investing Activities	<u>266,966</u>	<u>0</u>	<u>266,966</u>
Net Increase in Cash and Cash Equivalents	(2,320,514)	2,437	(2,318,077)
Cash and Cash Equivalents at Beginning of Year	10,318,577	14,372	10,332,949
Cash and Cash Equivalents at End of Year	<u>\$7,998,063</u>	<u>\$16,809</u>	<u>\$8,014,872</u>

See Accompanying Notes to the General Purpose Financial Statements

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**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

**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 Mayor appoints the Safety/ Service Director.

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.

**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.

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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Fund Accounting (Continued)**

**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).

**Proprietary Fund Types:**

**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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Fund Accounting (Continued)**

**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 funds.

**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 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus And Basis of Accounting (Continued)**

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when 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, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2001 operations, have also been recorded as a deferred revenue.

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 receivables 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 is 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, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Data (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.

**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.

**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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents (Continued)**

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. 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, 2000.

Each fund type's share of the pool is presented on the balance sheet in the account, "Equity in Pooled Cash and Cash Equivalents." 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."

The City allocates interest earnings to certain funds in accordance with Ohio Statutes. Interest revenue credited to the General Fund during 2000 amounted to \$584,037 which include approximately \$324,323 assigned from other funds.

**E. Investments**

The Harding Center Fund issued bonds in 1999 for the purpose of providing a loan to the Marion Senior Housing Limited Partnership. The City's general fund purchased the bonds and, accordingly, the bonds are reported at fair value as an Investment of the General Fund.

**F. 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 costs 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.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2000 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. 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.

**I. Statement of Cash Flows**

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

**J. 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.

**K. 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. 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 and Debt Service fund types had reserves for notes receivable of \$779,140 and \$574,266, respectively. \$326,537 has also been reserved for debt service in the Debt Service fund type.

**M. 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.

**N. Interfund Assets and Liabilities**

Receivables and payables arising between funds for goods provided or services rendered are classified as "due to / from other funds". Short-term interfund loans between funds are classified as interfund receivables/ payables.

**O. 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.

**P. 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. 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.

**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.

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);

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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. Bankers acceptances for a period not to exceed 270 days and high-grade commercial paper, the sum of which may not exceed twenty-five percent of the City's total average portfolio.

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 qualified trustee 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 \$2,080 in undeposited cash on hand which is included on the balance sheet of the City as "Petty Cash".

**Deposits.** At year-end, the carrying amount of the City's deposits was \$9,032,843 and the bank balance was \$9,395,461. Of the bank balance:

1. \$700,000 was covered by federal depository insurance.
2. \$8,695,461 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, 2000  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

	<u>Category</u>			<u>Carrying Value</u>	<u>Market Value</u>
	1	2	3		
Investments in:					
STAR Ohio				\$4,422,427	\$4,422,427
Repurchase Agreement			116,000	116,000	116,000
Municipal Bonds	582,000			582,000	582,000
<b>Total</b>	<u>\$582,000</u>		<u>\$116,000</u>	<u>\$5,120,427</u>	<u>\$5,120,427</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	\$13,573,350	\$582,000
Cash on Hand	(2,080)	0
Repurchase Agreement	(116,000)	116,000
STAR Ohio	(4,422,427)	4,422,427
<b>GASB Statement 3</b>	<u>\$ 9,032,843</u>	<u>\$ 5,120,427</u>

**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 (GAAP Basis).
5. 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  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**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 (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
	GAAP basis	\$1,135,838	\$(129,724)	\$156,945
Increase (Decrease) due to:				
Encumbrances outstanding at year end (Budget Basis)	(257,580)	(335,298)	0	(71,709)
Change in accrued assets not recognized in budget-- January 1 to December 31	5,447	77,429	17,739	158,464
Change in accrued liabilities not recognized in budget-- January 1 to December 31	79,718	(565,416)	0	(466,042)
Budget Basis	<u>\$ 963,423</u>	<u>\$(953,009)</u>	<u>\$174,684</u>	<u>\$(81,855)</u>

**5. ACCOUNTABILITY**

**Fund Balance/Equity Deficits**

Proprietary fund type - The Sanitation Enterprise fund has a deficit unreserved retained earnings at December 31, 2000 of \$3,871,573 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.

**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 2000 are levied after October 1, 1999 on the assessed value as of January 1, 1999, 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. 1999 real property taxes are collected in and intended to finance 2000 operations.

Public utility property taxes are assessed on tangible personal property at true value (normally 88 percent of cost). Public utility property taxes paid in 2000 became a lien December 31, 1999, are levied after October 1, 1999 and are collected in 2000 with real property taxes. 2000 tangible personal property taxes are levied after October 1, 1999 on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of actual value.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**6. TAXES (Continued)**

**A. Property Tax (Continued)**

The full tax rates applied to real property for the fiscal year ended December 31, 2000, 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-2000 Valuation	
General	50,184,580
Public Utilities	<u>22,990,090</u>
Total Valuation	<u>\$334,628,700</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.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not intended to finance 2000 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 OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**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.

**7. 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, 2000, by class is as follows:

	Enterprise Funds	Internal Service Funds
Land	\$ 325,457	\$ 0
Land Improvements	1,836,594	0
Buildings and Structures	22,075,860	0
Machinery and Equipment	4,616,724	51,604
Furniture and Fixtures	55,115	4,687
Trucks, Autos & Buses	2,180,580	0
Construction-in-Progress	5,000,737	0
Total	<u>\$36,091,067</u>	<u>\$ 56,291</u>
Less-Accumulated Depreciation	14,905,054	29,369
Net Property, Plant And Equipment	<u>\$21,186,013</u>	<u>\$26,922</u>

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. 2000 depreciation expense was \$1,026,711. 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, 2000, by class and the changes therein during 2000, is as follows:

	<u>Balance 1/1/00</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/00</u>
Land	\$1,438,387	\$ 0	\$ 0	\$1,438,387
Land Improvements	3,104,181	32,847	550	3,136,478
Buildings and Structures	6,963,280	42,682	4,738	7,001,224
Machinery and Equipment	2,451,577	397,047	142,613	2,706,011
Furniture and Fixtures	238,591	8,436	850	246,177
Trucks, Autos and Buses	2,766,289	252,772	181,742	2,837,319
Construction in Progress	<u>1,273,500</u>	<u>184,105</u>	<u>126,505</u>	<u>1,331,100</u>
Total	<u>\$18,235,805</u>	<u>\$ 917,889</u>	<u>\$ 456,998</u>	<u>\$18,696,696</u>

**8. DEBT AND LONG-TERM OBLIGATIONS**

A listing of the changes in the general long-term obligations and the enterprise debt of the City for the year ended December 31, 2000 follows:

	<u>Balance 1/1/00</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/00</u>
General Long-Term Obligations				
Police & Fire Pension Acc. Liab.	\$ 1,553,464	\$ 0	\$1,553,464	\$ 0
Compensated Absences	2,567,203	242,299	0	2,809,502
5.25% Taxable Housing Bonds, 1999 through 2019	600,000	0	18,000	582,000
5.30% Police and Fire Pension Bonds, 2000 through 2020	0	1,145,000	0	1,145,000
4.25% ODOT DRIP TIF Loan, 1998 through 2013	1,767,401	338,483	0	2,105,884

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

	<u>Balance 1/1/00</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/00</u>
<u>Special Assessment Bonds:</u>				
9 7/8% Street Improvement Bonds, 1983 through 2002	105,000	0	35,000	70,000
Total General Long-Term Obligations	<u>\$6,593,068</u>	<u>\$1,725,782</u>	<u>\$1,606,464</u>	<u>\$6,712,386</u>
Enterprise Debt				
4.56% OWDA Loan, due through 2017	2,057,893	0	85,951	1,971,942
0% OPWC Loan, due through 2015	525,000	0	35,000	490,000
0% OPWC Loan, due through 2014	151,929	0	10,478	141,451
4.35% OWDA Loan, due through 2016	2,346,282	0	104,131	2,242,151
3.20% OWDA Loan, due through 2005	0	913,713	144,784	768,929
4.30% Storm Sewer Notes Due 11/16/00	5,500,000	0	5,500,000	0
4.30% Sanitary Sewer Notes Due 11/16/00	1,600,000	0	1,600,000	0
Sanitary Sewer Bonds, 2001 through 2020	0	2,680,000	0	2,680,000
Storm Sewer Bonds, 2001 through 2020	0	4,905,000	0	4,905,000
Total Enterprise Debt	<u>\$12,181,104</u>	<u>\$8,498,713</u>	<u>\$7,480,344</u>	<u>\$13,199,473</u>

The ODOT loan and the police and fire 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

The taxable housing bonds are related to the Harding Centre 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 Debt Service Fund.

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

The Sanitary Sewer and Storm Sewer General Obligation Bonds reported in the Sanitary Sewer and Storm Sewer Funds will be paid from charges for services revenue by those funds.

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 \$16,677,579 of additional debt without obtaining voter approval.

A summary of the City's future debt service requirements as of December 31, 2000 follows:

Future Payments Due In	General Long-Term Debt Account Group		Enterprise Fund	
	Principal	Interest	Principal	Interest
2001	\$208,321	\$187,572	\$1,218,031	\$ 600,297
2002	219,660	171,647	503,030	548,971
2003	195,229	160,032	517,359	528,643
2004	203,038	151,341	542,107	507,547
2005	215,096	142,302	562,293	485,211
2006-2020	<u>2,861,540</u>	<u>915,489</u>	<u>9,856,653</u>	<u>3,772,341</u>
Total	<u>\$3,902,884</u>	<u>\$1,728,383</u>	<u>\$ 13,199,473</u>	<u>\$6,443,010</u>

The principal and interest payments relating to the 3.2% OWDA Loan have been reported as debt service requirements for 2001 only, although scheduled payments were through 2005, because the City retired this entire loan in March 2001.

**9. 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.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

Segment Information for the year ended December 31, 2000 is as follows:

	Transit	Sewer	Sanitation	Recycling	Swimming Pool	Storm Sewer	Total All Funds
Operating Revenues	\$ 96,750	\$3,626,327	\$1,735,916	\$ 203,773	\$ 33,648	\$1,176,360	\$6,872,774
Depreciation	90,435	755,396	67,262	19,342	20,493	70,056	1,022,984
Operating Income (Loss)	(707,640)	368,877	378,147	9,578	(85,477)	736,466	699,951
Operating Grants	597,687	0	0	0	0	0	597,687
Operating Interfund							
Transfers Net	52,000	0	0	0	55,000	0	107,000
Net Income (Loss)	(56,400)	204,814	232,806	8,194	(32,956)	675,458	1,031,916
Current Capital Contribution	152,430	0	0	0	18,476	148,082	318,988
Property, Plant & Equipment							
Additions	154,870	3,562,430	37,865	0	19,919	1,833,792	5,608,876
Dispositions	35,840	382,155	10,800	0	5,056	0	433,851
Net Working Capital	47,735	3,704,789	686,901	160,275	7,557	4,692,440	9,299,697
Total Assets	708,937	19,125,776	1,416,617	284,911	183,895	9,348,589	31,068,725
Bonds and Other Long-Term							
Liabilities Payable from							
Operating Revenues	66,898	6,262,593	5,152,560	27,573	0	4,905,000	16,414,624
Total Equity and Other							
Credits	\$599,201	\$12,468,320	\$(3,855,873)	\$242,595	\$181,977	\$4,434,866	\$14,071,086

**10. 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 administered by the Public Employees Retirement Board. 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 making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The Retirement Board instituted a temporary employer contribution rate rollback of 20 percent for state and local governments for calendar year 2000. The employee contribution rate for 2000 was 8.5 percent for employees. The 2000 employer contribution rate was 6.54 percent of covered payroll reduced from 9.35 percent in 1999. The contribution rates are determined actuarially. The City's contributions for pension obligations to PERS for the years ended December 31, 2000, 1999, and 1998 were \$429,220, \$515,503, and \$499,187 respectively; 80 percent representing the paid contribution for 2000 and 100 percent for 1999 and 1998. \$84,264 representing the unpaid contribution for 2000 is recorded as a liability within the respective funds.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**10. PENSION AND RETIREMENT PLANS (Continued)**

**B. Ohio Police and Fire Pension Fund (Op&f)**

The City of Marion contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by the OP&F's Board of Trustees. 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 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 12.25% and 16.75% respectively for police officers and firefighters. Contributions are authorized by State Statute. Marion City's contributions to OP&F for the years ending December 31, 2000, 1999 and 1998 were \$852,428, \$771,812, and \$752,889, respectively. 74% has been contributed for 2000 and 100 percent for 1999 and 1998. \$223,424 representing the unpaid contribution for 2000, is recorded as a liability within the respective funds.

**11. POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System (Pers)**

The Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor 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 based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for the 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

**A. Public Employees Retirement System (Pers) (Continued)**

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$282,233. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million respectively.

For 2000 PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**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 OP&F's Board of Trustees to provide health care coverage to all eligible individuals and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the board, is used to pay retiree health care expenses. The Board defined allocation was 7.0% and 7.25% of covered payroll in 1999 and 2000 respectively. The allocation is 7.50% in 2001. 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, 1999, the date of the last actuarial valuation available, are 12,467 for Police and 9,807 for Firefighters. The City's actual contributions for 2000 that were used to pay post-employment benefits were \$207,040 for Police and \$217,591 for Firefighters. The fund's total health care expenses for the year ending December 31, 1999, the date of the last actuarial valuation available, was \$95,004,633, which was net of member contributions of \$5,518,098.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**12. 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. At 12/31/99, the balance of the liability was \$2,567,203. At 12/31/00, the balance was \$2,809,502. An accrual of \$420,651 and \$10,748 for compensated absences payable is reported within the enterprise fund type and internal service fund type, respectively, at 12/31/00.

**13 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, 1999 was \$ 1,553,464. Total payments made on this liability in 2000 were \$1,204,850, and discounts for early payoff were \$348,614, leaving a liability of \$0 at 12/31/00.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**14. CONSTRUCTION COMMITMENTS**

As of 12/31/00, the City had the following outstanding construction commitments:

Sidewalks	\$ 20,000
Street Improvement	87,000
Storm Sewer Projects	34,296
Sanitary Sewer Projects	<u>224,870</u>
Total Construction Commitments	<u>\$ 366,166</u>

**15. 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.

**16. 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 \$2,794,500 as of December 31, 2000, which is based on 100% usage (filled) of the landfill. The estimated total current costs of the landfill postclosure care (\$2,794,500) 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, 2000. 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".

**17. 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)	37,516,237	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

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**17. RISK MANAGEMENT (Continued)**

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
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	40,000	0
Stop Gap	100,000	0

Settled claims have not exceeded commercial coverage in any of the past three years and there have been no significant reductions in coverage from last year.

The Ohio Municipal League Joint Self-Insurance Pool (OML) is a public entity shared risk pool. OML was formed as an unincorporated not-for-profit association and operates various insurance programs. Each member participates in the election of the Board of Trustees by mail ballot.

Participation in OML is by written application subject to the approval of the Board of Trustees and the payment of premiums. A member may withdraw from a program by giving a notice of sixty days. Financial information may be obtained from J & H Marsh and McClennan, One Columbus, Suite 1200, 10 West Broad Street, Columbus, Ohio 43215.

**18. RESTATEMENT OF FUND BALANCE**

For fiscal year 2000, the Harding Centre Construction Fund is reflected as a debt service fund. This fund was previously classified as a capital projects fund. The restatement resulted in an increase in the beginning fund balance of the debt service funds of \$602,843, from \$141,015 to \$743,858 and a decrease in beginning fund balance of the capital projects funds of \$602,843, from \$592,803 to \$(10,040).

As a result of the reclassification, capital projects fund cash and cash equivalents at January 1, 2000 also decreased by \$10,838, from \$305,944 to \$295,106 and debt service fund cash and cash equivalents increased by \$10,838 from \$141,015 to \$151,853.

In 1997, the City loaned \$400,000 to the Harding Restaurant Group from the City's CDBG Revolving Loan Fund. At that time, the transaction was recorded as an expenditure by the City and the related note receivable was not established. Accordingly, fund balance in the Revolving Loan Fund has been understated by \$400,000 since 1997. This error caused the 1997 excess of revenues over expenditure to be understated by \$400,000. This error had no effect on 1998 or 1999 excess of revenues over expenditures. As a result of the error correction in 2000, beginning fund balance in the special revenue fund type increased by \$400,000.

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**19. SUBSEQUENT EVENTS**

The City of Marion entered into a TIF agreement with LTV Steel Company Inc. This agreement allowed LTV to make service payments in lieu of taxes which are placed on the tax rolls as assessments. These payments were to be used to pay the 4.25% ODOT loan which had a balance of \$2,105,884 at December 31, 2000. This loan is backed by the full faith and credit of the City of Marion.

On December 29, 2000 LTV Steel Company, Inc. filed Chapter 11 Bankruptcy. The Marion County Prosecuting Attorney is pursuing collection of taxes and assessments. The City of Marion will continue to make the scheduled debt payments.

In March 2001 the City paid off the \$768,929 balance of its 3.2% OWDA loan which had scheduled payments through 2005. Proceeds from the Sanitary Sewer Bonds issued in 2000 were used to retire this outstanding loan.

**CITY OF MARION  
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

**FEDERAL GRANTOR/**

*Pass Through Grantor*

Program Title	CFDA #	Pass Through Entity Number	Disbursements
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**U.S. DEPARTMENT OF AGRICULTURE**

*Passed through Ohio Department of Health*

Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	214-D	\$223,668
Total U.S. Department of Agriculture			223,668

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

*Passed through Ohio Department of Development*

Community Development Block Grant - State's Program	14.228	A-C-98-142-1	183,057
Community Development Block Grant - State's Program	14.228	A-C-00-142-1	5,000
Community Development Block Grant - State's Program	14.228	A-F-99-142-1	118,340
Total U.S. Department of Housing and Urban Development			306,397

**U.S. DEPARTMENT OF JUSTICE**

Public Safety Partnership and Community Policing Grants	16.710		232,071
Local Law Enforcement Block Grants Program	16.592		15,105
Local Law Enforcement Block Grants Program	16.592		13,258
Total Local Law Enforcement Block Grants Program			28,363
Juvenile Accountability Incentive Block Grants	16.523		25,000
Juvenile Accountability Incentive Block Grants	16.523		4,324
Total Juvenile Accountability Incentive Block Grants			29,324
Juvenile Justice and Delinquency Prevention Allocation to States	16.540		43,388
Violence Against Women Formula Grants	16.588		16,884
Violence Against Women Formula Grants	16.588		84,665
Total Violence Against Women Formula Grants			101,549
Total U.S. Department of Justice			434,695

**U.S. DEPARTMENT OF TRANSPORTATION**

Airport Improvement Program	20.106		81,870
<i>Passed through Ohio Department of Transportation</i>			
Federal Transit Capital and Operating Assistance Formula Grant	20.507	RPT-4051-016-991	332,780
Total U.S. Department of Transportation			414,650

**U.S. DEPARTMENT OF EDUCATION**

*Passed through Ohio Department of Health*

Special Education Grants for Infants and Families with Disabilities	84.181	214-E	56,458
Total U.S. Department of Education			56,458

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

*Passed through Ohio Department of Aging*

Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	N/A	56,173
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*Passed through Ohio Department of Health*

Preventive Health and Health Services Block Grant	93.991	214-I	6,089
Total U.S. Department of Health and Human Services			62,262

**TOTAL FEDERAL AWARDS EXPENDITURES**

**\$1,498,130**

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

**CITY OF MARION  
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE 1 - 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 2 - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The United States 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, 2000, the gross amount of loans outstanding under this program was \$854,974, including \$75,834 of delinquent amounts due.

**NOTE 3 - MATCHING REQUIREMENTS**

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

**NOTE 4 - PASS THROUGH ENTITY NUMBERS**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

City of Marion  
Marion County  
233 West Center Street  
Marion, OH 43301

To the City Council:

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, 2000, and have issued our report thereon dated June 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated June 19, 2001.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 19, 2001.

City of Marion  
Marion County  
Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

**JIM PETRO**  
Auditor of State

June 19, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

City of Marion  
Marion County  
233 West Center Street  
Marion, OH 43301

To the City Council:

**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, 2000. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 2000. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the City in a separate letter dated June 19, 2001.

**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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**JIM PETRO**  
Auditor of State

June 19, 2001

**CITY OF MARION  
MARION COUNTY**

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

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

<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>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<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 #16.710 - Public Safety Partnership and Community Policing Grants  CFDA # 20.507 - Federal Transit Capital and Operating Assistance Formula
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
AUGUST 7, 2001**