

City of Marysville

Union County

Single Audit

January 1, 2005 through December 31, 2005

BALESTRA, HARR & SCHERER CPAs, INC.

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**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Marysville, Union County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 31, 2006

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General, Street Maintenance and Repair, and Coleman's Crossing TIF Funds of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City of Marysville
Independent Auditor's Report

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost Sharing Employers*.



Balestra, Harr & Scherer, CPAs, Inc.
June 29, 2006

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2005

The discussion and analysis of the City of Marysville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$4,158,024. Net assets of governmental activities increased \$1,053,472, which represents a 3.64 percent increase from 2004. Net assets of business-type activities increased \$3,104,552 or 10.61 percent from 2004.
- Total assets of governmental activities increased \$1,576,818, which represents a 3.19 percent increase from 2004. Total liabilities of governmental activities increased \$523,346, or 2.55 percent. Both increases are attributable to increases in debt for economic development and street infrastructure improvements.
- Total assets of business-type activities increased \$58,606,973, which represents a 98.77 percent increase from 2004. Total liabilities of business-type activities increased \$55,502,421, or 184.47 percent. Both increases are attributable primarily to increases in debt for the purchase of land, engineering work, and construction costs of a new sanitary sewer plant, trunk interceptor sewer, and transmission lines from the existing plant.
- In total, cash and cash equivalents increased \$55,328,897 or 210.09 percent. Total cash and cash equivalents of governmental activities decreased \$371,272 or 5.23 percent, while cash and cash equivalents in business-type activities increased \$55,700,169 or 289.63 percent.
- Overall, the book value of capital assets increased by \$5,108,723. Total capital assets from governmental activities increased by \$2,283,385 or 6.13 percent. Capital assets from business-type activities increased by \$2,825,338 or 7.29 percent. These increases were due to increased investment in capital assets including approximately \$2,000,000 in street repairs and improvements and initial construction investment on the wastewater treatment plant.

Using the Annual Financial Report

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

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

Reporting the City of Marysville as a Whole

Statement of Net Assets and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Marysville's Most Significant Funds

Fund Financial Statements

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

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

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

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2005

The City of Marysville as a Whole

The statement of net assets reviews the City as a whole. The following table is a summary of the City's net assets for 2005 and 2004.

	Net Assets (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004*	2005	2004*	2005	2004*
Assets						
Current and Other Assets	\$11,432.2	\$12,138.8	\$76,366.3	\$20,584.6	\$87,798.5	\$32,723.4
Capital Assets, Net	<u>39,556.6</u>	<u>37,273.2</u>	<u>41,576.7</u>	<u>38,751.4</u>	<u>81,133.3</u>	<u>76,024.4</u>
Total Assets	50,988.8	49,412.0	117,943.0	59,336.0	168,931.8	108,748.0
Liabilities						
Current and Other Liabilities	(2,575.0)	(2,427.0)	(56,603.0)	(13,944.8)	(59,178.0)	(16,371.8)
Long-Term Liabilities						
Due within One Year	(10,309.2)	(9,490.0)	(1,296.0)	(1,017.1)	(11,605.2)	(10,507.1)
Due in More Than One Year	<u>(8,136.5)</u>	<u>(8,580.3)</u>	<u>(27,690.5)</u>	<u>(15,125.2)</u>	<u>(35,827.0)</u>	<u>(23,705.5)</u>
Total Liabilities	(21,020.7)	(20,497.3)	(85,589.5)	(30,087.1)	(106,610.2)	(50,584.4)
Net Assets						
Invested in Capital Assets Net of Related Debt	21,744.0	22,435.8	20,628.8	9,397.6	42,372.8	31,833.4
Restricted for:						
Capital Projects	600.6	1,745.7	0.0	0.0	600.6	1,745.7
Debt Service	118.3	204.8	0.0	0.0	118.3	204.8
Other Purposes	2,549.1	2,995.4	0.0	0.0	2,549.1	2,995.4
Sewer Replacement and Improvement	0.0	0.0	63,409.6	10,648.7	63,409.6	10,648.7
Water Replacement and Improvement	0.0	0.0	3,388.7	2,791.0	3,388.7	2,791.0
Unrestricted	<u>4,956.1</u>	<u>1,533.0</u>	<u>(55,073.6)</u>	<u>6,411.6</u>	<u>(50,117.5)</u>	<u>7,944.6</u>
Total Net Assets	<u><u>\$29,968.1</u></u>	<u><u>\$28,914.7</u></u>	<u><u>\$32,353.5</u></u>	<u><u>\$29,248.9</u></u>	<u><u>\$62,321.6</u></u>	<u><u>\$58,163.6</u></u>

*As restated - see Note 3 to the basic financial statements.

Total governmental activity assets increased \$1,576,818. Equity in pooled cash and cash equivalents for governmental activities decreased \$371,272. These changes are due primarily to increased expenditures for capital assets as well as continued investment in street improvements.

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Total assets of the City's business type activities increased significantly (\$58,606,973) with increased growth and development, debt issued at year-end for 2006 sewer improvements, and capacity fee increases enacted during 2003. The largest increase was in cash and cash equivalents (\$55,700,169) and is related to a \$55 million dollar bond anticipation note issued in December 2005 to finance 2006 sewer plant improvements and construction of a new plant and transmission line. The City also saw an increase in capital assets (\$2,825,338) due to ongoing construction projects.

Table 2 shows the changes in net assets for the year ended December 31, 2005.

Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues						
Charges for Services	\$1,806.0	\$1,840.3	\$13,303.6	\$12,465.2	\$15,109.6	\$14,305.5
Operating Grants, Contributions, and Interest	1,027.8	1,305.0	0.0	0.0	1,027.8	1,305.0
Capital Grants and Contributions	1,046.1	0.0	0.0	0.0	1,046.1	0.0
General Revenues						
Property Taxes	1,721.3	1,501.4	0.0	0.0	1,721.3	1,501.4
Municipal Income Taxes	6,762.3	6,762.4	0.0	0.0	6,762.3	6,762.4
Grants and Entitlements	802.4	683.5	0.0	0.0	802.4	683.5
Other	1,240.8	576.1	94.6	70.8	1,335.4	646.9
Total Revenues	<u>14,406.7</u>	<u>12,668.7</u>	<u>13,398.2</u>	<u>12,536.0</u>	<u>27,804.9</u>	<u>25,204.7</u>
Program Expenses						
General Government	1,959.3	1,998.3	0.0	0.0	1,959.3	1,998.3
Security of Persons and Property						
Police	3,042.1	2,763.6	0.0	0.0	3,042.1	2,763.6
Fire	2,932.9	2,812.8	0.0	0.0	2,932.9	2,812.8
Other	552.4	572.3	0.0	0.0	552.4	572.3
Public Health Services	422.9	370.2	0.0	0.0	422.9	370.2
Leisure Time Activities	313.4	290.6	0.0	0.0	313.4	290.6
Transportation	2,432.9	2,301.5	0.0	0.0	2,432.9	2,301.5
Community Environment	976.3	792.2	0.0	0.0	976.3	792.2
Interest and Fiscal Charges	721.0	551.2	0.0	0.0	721.0	551.2
Sanitation	0.0	0.0	866.2	938.3	866.2	938.3
Sewer	0.0	0.0	5,934.4	3,804.4	5,934.4	3,804.4
Water	0.0	0.0	3,313.4	3,300.8	3,313.4	3,300.8
Stormwater	0.0	0.0	179.7	20.6	179.7	20.6
Total Expenses	<u>13,353.2</u>	<u>12,452.7</u>	<u>10,293.7</u>	<u>8,064.1</u>	<u>23,646.9</u>	<u>20,516.8</u>
Increase (Decrease) in Net Assets	1,053.5	216.0	3,104.5	4,471.9	4,158.0	4,687.9
Net Assets Beginning of Year (as restated Note 3)	<u>28,914.7</u>	<u>28,698.7</u>	<u>29,248.9</u>	<u>24,777.0</u>	<u>58,163.6</u>	<u>53,475.7</u>
Net Assets End of Year	<u>\$29,968.2</u>	<u>\$28,914.7</u>	<u>\$32,353.4</u>	<u>\$29,248.9</u>	<u>\$62,321.6</u>	<u>\$58,163.6</u>

Governmental Activities

Several revenue sources fund governmental activities, with income taxes generally being the biggest contributor. The income tax rate of 1 percent was enacted in 1968. The income tax revenue for 2005 (accrual basis) was approximately \$6.8 million. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 88 percent of all general revenues in the governmental activities, the City monitors each of these revenue sources very closely for fluctuations.

The City has historically experienced an increase in income tax collections of approximately 8 percent per year (cash receipts). On a cash basis, the City's income tax receipts increased approximately \$800,000 (13%) between 2004 and 2005. This is the fourth year accrual numbers are available for comparison and reflect no significant increase or decrease in income tax receipts from the prior year. This reflects both the elimination of the credit for taxes paid to other cities which served to increase cash receipts due for 2005 paid in 2005 and the effort the City has made to collect past due amounts and ensure the collection of taxes due to the City is performed timely.

Security of persons and property, general government, transportation, and water, and sewer services are the major activities of the City, generating 85 percent of total expenses.

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

Business-Type Activities

The City's business-type activities are its sanitation, sewer, water, and storm-water departments. The water and wastewater treatment plants provide services to a resident base in excess of 16,000. The City also provides wastewater treatment for the Village of Milford Center and several small unincorporated areas where Union County has provided the residents with water and wastewater treatment lines. The wastewater treatment plant generated operating revenues of \$6,180,730 and had operating expenses of \$5,184,934. The water plant generated operating revenues of \$5,697,234 and had operating expenses of \$2,778,629. The City's goal is to cover the costs of operations as well as building a cash balance in these funds equivalent to one-third of the department's annual operating budget. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financing sources of \$25,223,753 and expenditures and other financing uses of \$26,772,000.

Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General Fund, Street Maintenance and Repair Fund, and Coleman's Crossing TIF Fund.

During the course of 2005, the City amended its General Fund and Street Maintenance and Repair Fund budgets numerous times. All recommendations for a budget change come from the City Finance Director to City Council for review and approval. With the General Fund supporting many of the major activities such as the City's police and fire departments, as well as most general government activities, the General Fund is monitored closely to prevent possible revenue shortfalls or over spending by individual departments.

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Budgeting Highlights (continued)

For the General Fund, original and final budgeted revenues and other financing sources were \$12,759,163. Original budgeted expenditures and other financing uses were \$13,015,190 and final budgeted expenditures and other financing uses were \$13,916,566.

For the Street Maintenance and Repair Fund, original budgeted revenues and other financing sources were \$1,372,300 and final budgeted revenues and other financing sources were \$2,614,300. Original budgeted expenditures and other financing uses were \$1,208,267 and final budgeted expenditures and other financing uses were \$3,697,012.

For the Coleman's Crossing TIF Fund, original and final budgeted revenues and other financing sources were \$6,987,000. Original budgeted and final budgeted expenditures and other financing uses were \$6,987,000.

Capital Assets and Debt Administration

Capital Assets

Capital Assets at December 31, 2005
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004*	2005	2004*	2005	2004*
Land	\$1,084.7	\$1,084.7	\$1,668.5	\$1,668.5	\$2,753.2	\$2,753.2
Buildings	1,799.1	1,877.2	5,761.2	5,995.9	7,560.3	7,873.1
Improvements Other than Buildings	1,079.6	1,156.0	1,016.0	1,048.7	2,095.6	2,204.7
Computers and Computer Equipment	69.5	70.2	56.6	78.7	126.1	148.9
Furniture and Equipment	517.6	480.9	288.4	281.7	806.0	762.6
Vehicles	1,454.0	519.4	468.8	555.2	1,922.8	1,074.6
Infrastructure						
Bridges	127.8	131.7	0.0	0.0	127.8	131.7
Roads	21,845.6	23,053.2	0.0	0.0	21,845.6	23,053.2
Storm Sewer	2,281.1	2,354.5	0.0	0.0	2,281.1	2,354.5
Other	7,686.3	1,290.4	27,712.1	28,428.0	35,398.4	29,718.4
Construction in Progress	1,611.3	5,255.0	4,605.1	694.6	6,216.4	5,949.6
Totals	<u>\$39,556.6</u>	<u>\$37,273.2</u>	<u>\$41,576.7</u>	<u>\$38,751.3</u>	<u>\$81,133.3</u>	<u>\$76,024.5</u>

* As restated - see Note 3 to the basic financial statements.

The increase noted in governmental funds was due primarily to construction projects tied to economic development, a \$675,000 grant for replacement of the Fire Department's aerial ladder, and increased expenditures for upgrades to vehicles and equipment utilized throughout the City. The City established several Tax Incremental Financing districts during 2004 and 2005 to generate economic development and provide a mechanism for infrastructure improvement. The increase seen in the business-type activities is due to construction costs for repairs and improvements in the sewer and water funds. The City has begun the engineering and initial construction phases for a new wastewater treatment facility as well as construction of an up-ground reservoir. Both of these projects will be under construction in 2006 and 2007.

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

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Capital Assets and Debt Administration (continued)

Debt

At December 31, 2005, the City of Marysville had approximately \$103.0 million in bonds, notes, claims, judgments, and compensated absences outstanding, \$66.6 million due within one year.

Outstanding Debt at December 31, 2005
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Notes	\$9,428.1	\$8,567.9	\$55,594.0	\$13,369.3	\$65,022.1	\$21,937.2
General Obligation Bonds	8,385.0	8,785.0	3,113.2	3,488.2	11,498.2	12,273.2
Special Assessment Bonds	0.0	5.0	0.0	0.0	0.0	5.0
Mortgage Revenue Bonds	0.0	0.0	25,640.6	12,457.2	25,640.6	12,457.2
Compensated Absences and Capital Leases	632.6	712.5	232.8	197.0	865.4	909.5
Total	<u>\$18,445.7</u>	<u>\$18,070.4</u>	<u>\$84,580.6</u>	<u>\$29,511.7</u>	<u>\$103,026.3</u>	<u>\$47,582.1</u>

The general obligation bonds supported by governmental activities were for renovation of the City Hall when purchased in 1986 and for multiple City improvements financed with bond anticipation notes during the late 1990s. Many of these projects were for the extension of infrastructure and services to the large annexation of land in 1998. These monies were also used to refurbish several City streets (Grove Street, Raymond Road) and for the construction of the Public Service Center. These bonds will be repaid by the general operating revenues (income and property taxes) of the City.

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

The remaining notes payable from business-type activities are scheduled to be refinanced with long-term bonds in 2006.

The City's overall legal debt margin was \$24,527,008 at December 31, 2005.

See Notes 17 and 18 for additional information about the City's debt.

The Future

The City of Marysville continues to work diligently to increase revenues and decrease costs to put the City on more stable footing. Between 1990 and 2000, the City of Marysville grew from a community of 9,500 to a community approaching 16,000 residents. The City has continued to grow rapidly since 2000 with approximately 250 new homes constructed annually and several new commercial facilities opened in 2005 with more planned for 2006.

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

The Future (continued)

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

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

Contacting the City's Finance Department

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

City of Marysville
Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$6,732,852	\$74,477,642	\$81,210,494
Cash and Cash Equivalents in Fiscal Agents	0	453,706	453,706
Property Taxes Receivable	1,673,805	0	1,673,805
Municipal Income Taxes Receivable	1,600,164	0	1,600,164
Accounts Receivable	77,764	932,409	1,010,173
Special Assessments Receivable	285,163	0	285,163
Interest Receivable	80,441	0	80,441
Due from Other Governments	908,044	386,650	1,294,694
Prepaid Items	74,005	115,873	189,878
Nondepreciable Capital Assets	2,695,936	6,273,615	8,969,551
Depreciable Capital Assets, Net	36,860,698	35,303,072	72,163,770
Total Assets	50,988,872	117,942,967	168,931,839
LIABILITIES			
Accrued Wages Payable	111,820	30,803	142,623
Accounts Payable	161,489	179,767	341,256
Contracts Payable	53,610	521,433	575,043
Due to Other Governments	403,497	90,150	493,647
Accrued Interest Payable	200,095	135,940	336,035
Notes Payable	0	55,594,000	55,594,000
Retainage Payable	48,813	50,944	99,757
Deferred Revenue	1,595,649	0	1,595,649
Long-Term Liabilities:			
Due Within One Year	10,309,231	1,295,976	11,605,207
Due in More Than One Year	8,136,479	27,690,516	35,826,995
Total Liabilities	21,020,683	85,589,529	106,610,212
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	21,744,004	20,628,847	42,372,851
Restricted for:			
Capital Projects	600,654	0	600,654
Debt Service	118,279	0	118,279
Other Purposes	2,549,131	0	2,549,131
Sewer Replacement and Improvement	0	63,409,520	63,409,520
Water Replacement and Improvement	0	3,388,691	3,388,691
Unrestricted	4,956,121	(55,073,620)	(50,117,499)
Total Net Assets	\$29,968,189	\$32,353,438	\$62,321,627

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Activities
For the Year Ended December 31, 2005

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
<i>Governmental Activities</i>							
General Government	\$1,959,350	\$227,789	\$0	\$0	(\$1,731,561)	\$0	(\$1,731,561)
Security of Persons and Property:							
Police	3,042,077	128,466	67,836	0	(2,845,775)	0	(2,845,775)
Fire	2,932,849	577,142	0	698,281	(1,657,426)	0	(1,657,426)
Other	552,413	593,242	64,287	0	105,116	0	105,116
Public Health Services	422,898	59,581	0	0	(363,317)	0	(363,317)
Leisure Time Activities	313,423	219,748	60,000	0	(33,675)	0	(33,675)
Transportation	2,432,895	0	814,468	0	(1,618,427)	0	(1,618,427)
Community Environment	976,322	0	21,200	347,831	(607,291)	0	(607,291)
Interest and Fiscal Charges	720,986	0	0	0	(720,986)	0	(720,986)
Total Governmental Activities	13,353,213	1,805,968	1,027,791	1,046,112	(9,473,342)	0	(9,473,342)
<i>Business-Type Activities</i>							
Sanitation	866,181	1,027,384	0	0	0	161,203	161,203
Sewer	5,934,435	6,134,515	0	0	0	200,080	200,080
Water	3,313,383	5,670,924	0	0	0	2,357,541	2,357,541
Stormwater Assessment	179,658	470,772	0	0	0	291,114	291,114
Total Business-Type Activities	10,293,657	13,303,595	0	0	0	3,009,938	3,009,938
Totals	\$23,646,870	\$15,109,563	\$1,027,791	\$1,046,112	(9,473,342)	3,009,938	(6,463,404)
General Revenues:							
Property Taxes					1,721,313	0	1,721,313
Other Local Taxes					121,544	0	121,544
Municipal Income Taxes					6,762,338	0	6,762,338
Grants and Entitlements not Restricted to Specific Programs					802,391	0	802,391
Interest					789,859	13,757	803,616
Contributions and Donations					23,762	0	23,762
Other Revenues					305,607	80,857	386,464
Total General Revenues					10,526,814	94,614	10,621,428
Change in Net Assets					1,053,472	3,104,552	4,158,024
Net Assets at Beginning of Year (as restated - Note 3)					28,914,717	29,248,886	58,163,603
Net Assets at End of Year					\$29,968,189	\$32,353,438	\$62,321,627

See accompanying notes to the basic financial statements.

City of Marysville
Balance Sheet
Governmental Funds
December 31, 2005

	General Fund	Street Maintenance and Repair Fund	Coleman's Crossing TIF Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$3,729,397	\$721,317	\$53,478	\$33,211	\$2,195,449	\$6,732,852
Receivables:						
Property Taxes	1,450,533	0	0	0	223,272	1,673,805
Municipal Income Taxes	1,600,164	0	0	0	0	1,600,164
Accounts	66,298	23	0	0	11,443	77,764
Special Assessments	0	0	0	285,163	0	285,163
Interest	75,157	4,926	0	0	358	80,441
Due from Other Governments	506,726	348,622	0	0	52,696	908,044
Prepaid Items	57,935	16,070	0	0	0	74,005
Total Assets	\$7,486,210	\$1,090,958	\$53,478	\$318,374	\$2,483,218	\$11,432,238
LIABILITIES						
Accounts Payable	\$78,133	\$57,374	\$0	\$0	\$25,982	\$161,489
Contracts Payable	0	40,533	0	0	13,077	53,610
Retainage Payable	0	48,813	0	0	0	48,813
Accrued Wages and Benefits	103,943	7,877	0	0	0	111,820
Due to Other Governments	377,760	25,737	0	0	0	403,497
Deferred Revenue	2,559,150	228,072	0	285,163	257,943	3,330,328
Total Liabilities	3,118,986	408,406	0	285,163	297,002	4,109,557
FUND BALANCES						
Reserved for Encumbrances	289,190	441,608	0	10,558	445,793	1,187,149
Unreserved, Reported in:						
General Fund	4,078,034	0	0	0	0	4,078,034
Special Revenue Funds	0	240,944	53,478	0	1,515,402	1,809,824
Debt Service Fund	0	0	0	22,653	0	22,653
Capital Projects Funds	0	0	0	0	225,021	225,021
Total Fund Balances	4,367,224	682,552	53,478	33,211	2,186,216	7,322,681
Total Liabilities and Fund Balances	\$7,486,210	\$1,090,958	\$53,478	\$318,374	\$2,483,218	\$11,432,238

See accompanying notes to the basic financial statements.

City of Marysville
Reconciliation of Total Governmental Fund Balances to the Net Assets of Governmental Activities
December 31, 2005

Total Governmental Fund Balances \$7,322,681

Amounts reported for governmental activities in the statement of net assets are different due to:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 39,556,634

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

Property Taxes	78,156	
Municipal Income Taxes	769,671	
Other Local Taxes	13,859	
Special Assessments	285,163	
Miscellaneous Revenue	7,083	
Intergovernmental Revenue	580,747	
Total	1,734,679	1,734,679

Long-term liabilities, including accrued interest payable and bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(200,095)	
Notes Payable	(9,428,107)	
Compensated Absences Payable	(549,973)	
Capital Leases Payable	(82,630)	
General Obligation Bonds Payable	(8,385,000)	
Total	(18,645,805)	(18,645,805)

Net Assets of Governmental Activities in the Statement of Net Assets \$29,968,189

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Street Maintenance and Repair Fund	Coleman's Crossing TIF Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$1,476,038	\$0	\$0	\$0	\$224,286	\$1,700,324
Other Local Taxes	107,685	0	0	0	0	107,685
Municipal Income Taxes	6,316,853	0	0	0	0	6,316,853
Special Assessments	0	0	0	24,588	0	24,588
Charges for Services	689,644	0	0	0	296,403	986,047
Fees, Licenses and Permits	345,795	0	0	0	101,579	447,374
Fines and Forfeitures	401,089	0	0	0	152,315	553,404
Intergovernmental	1,708,640	705,119	0	0	440,392	2,854,151
Interest	725,728	50,769	0	200	13,162	789,859
Contributions and Donations	23,762	0	0	0	60,000	83,762
Other Revenues	44,661	0	0	0	3,024	47,685
Total Revenues	11,839,895	755,888	0	24,788	1,291,161	13,911,732
EXPENDITURES						
Current:						
General Government	1,643,747	0	0	0	57,964	1,701,711
Security of Persons and Property:						
Police	2,985,987	0	0	0	119,334	3,105,321
Fire	2,621,176	0	0	0	442,271	3,063,447
Other	540,891	0	0	0	14,428	555,319
Leisure Time Activities	234,179	0	0	0	19,152	253,331
Transportation	0	994,934	0	0	53,595	1,048,529
Public Health Services	390,005	0	0	0	15,120	405,125
Community Environment	670,315	0	0	0	331,435	1,001,750
Capital Outlay	920,392	1,952,360	0	0	1,271,860	4,144,612
Debt Service:						
Principal Retirement	39,079	0	6,800,000	2,125,000	0	8,964,079
Interest and Fiscal Charges	3,049	0	185,442	488,386	0	676,877
Bond Anticipation Notes Issuance Costs	0	3,435	19,600	3,830	0	26,865
Total Expenditures	10,048,820	2,950,729	7,005,042	2,617,216	2,325,159	24,946,966
Excess of Revenues Over (Under) Expenditures	1,791,075	(2,194,841)	(7,005,042)	(2,592,428)	(1,033,998)	(11,035,234)
OTHER FINANCING SOURCES (USES)						
Bond Anticipation Notes Issued	0	1,000,000	6,940,000	1,405,000	0	9,345,000
Proceeds from Sale of Capital Assets	3,885	5,725	0	0	0	9,610
Premium on Issuance of Bond Anticipation Notes	0	7,750	70,580	4,777	0	83,107
Inception of Capital Lease	49,270	0	0	0	0	49,270
Transfers In	0	533,250	47,940	1,185,880	57,964	1,825,034
Transfers Out	(1,777,094)	0	0	0	(47,940)	(1,825,034)
Total Other Financing Sources (Uses)	(1,723,939)	1,546,725	7,058,520	2,595,657	10,024	9,486,987
Net Change in Fund Balances	67,136	(648,116)	53,478	3,229	(1,023,974)	(1,548,247)
Fund Balances at Beginning of Year	4,300,088	1,330,668	0	29,982	3,210,190	8,870,928
Fund Balances at End of Year	\$4,367,224	\$682,552	\$53,478	\$33,211	\$2,186,216	\$7,322,681

See accompanying notes to the basic financial statements.

City of Marysville
*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds: (\$1,548,247)

Amounts reported for governmental activities in the statement of activities are different due to:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. 2,340,161

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

Loss on Sale of Capital Assets	(47,166)	
Proceeds from Sale of Capital Assets	(9,610)	
		(56,776)

Inception of capital leases are recorded as other financing sources in the governmental funds, but are recorded as an increase of long-term obligations, and are therefore not recorded in the statement of activities. (49,270)

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

Intergovernmental Receivable	(8,277)	
Municipal Income Taxes Receivable	445,485	
Property Taxes Receivable	10,147	
Other Local Taxes Receivable	13,859	
Fees, Licenses & Permits	(41,036)	
Miscellaneous Revenue	6,066	
Special Assessments Receivable	(24,588)	
Total		401,656

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities 8,964,079

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities in the statement of activities, including premium on issuance of debt. (9,428,107)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (17,244)

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

Compensated Absences Payable	90,042	
Intergovernmental Payable	357,178	
Total		447,220

Change in Net Assets of Governmental Activities \$1,053,472

See the accompanying notes to the basic financial statements.

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,416,500	\$1,416,500	\$1,476,038	\$59,538
Other Local Taxes	100,000	100,000	97,917	(2,083)
Municipal Income Taxes	6,785,000	6,785,000	7,098,014	313,014
Charges for Services	1,755,333	1,755,333	1,570,281	(185,052)
Fees, Licenses, and Permits	396,000	396,000	392,615	(3,385)
Fines and Forfeitures	345,000	345,000	374,176	29,176
Intergovernmental	1,752,980	1,752,980	1,623,444	(129,536)
Interest	130,350	130,350	674,761	544,411
Contributions and Donations	33,000	33,000	23,762	(9,238)
Other Revenues	45,000	45,000	47,804	2,804
Total Revenues	12,759,163	12,759,163	13,378,812	619,649
Expenditures				
Current:				
General Government	3,367,626	3,707,973	3,325,756	382,217
Security of Persons and Property:				
Police	2,639,192	2,737,640	2,591,412	146,228
Fire	3,382,866	3,559,182	3,390,546	168,636
Other	495,194	496,634	482,267	14,367
Leisure Time Activities	263,088	255,672	229,892	25,780
Community Environment	538,250	562,579	505,408	57,171
Public Health Services	395,597	410,461	388,145	22,316
Total Expenditures	11,081,813	11,730,141	10,913,426	816,715
Excess of Revenues Over Expenditures	1,677,350	1,029,022	2,465,386	1,436,364
Other Financing Sources (Uses)				
Proceeds on Sale of Fixed Assets	0	0	3,885	3,885
Transfers Out	(1,933,377)	(2,186,425)	(1,777,094)	409,331
Total Other Financing Sources (Uses)	(1,933,377)	(2,186,425)	(1,773,209)	413,216
Net Change in Fund Balance	(256,027)	(1,157,403)	692,177	1,849,580
Fund Balance Beginning of Year	2,345,581	2,345,581	2,345,581	0
Prior Year Encumbrances Appropriated	353,952	353,952	353,952	0
Fund Balance End of Year	\$2,443,506	\$1,542,130	\$3,391,710	\$1,849,580

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Street Maintenance and Repair Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$625,000	\$625,000	\$805,878	\$180,878
Interest	3,000	3,000	46,770	43,770
Other Revenues	49,300	49,300	0	(49,300)
Total Revenues	677,300	677,300	852,648	175,348
Expenditures				
Current:				
Transportation	1,009,734	1,029,734	952,893	76,841
Capital Outlay/Improvements	198,533	2,667,278	2,395,507	271,771
Total Expenditures	1,208,267	3,697,012	3,348,400	348,612
Excess of Revenues Over Expenditures	(530,967)	(3,019,712)	(2,495,752)	523,960
Other Financing Sources (Uses)				
Bond Anticipation Notes Issued	0	1,000,000	1,004,315	4,315
Proceeds on Sale of Fixed Assets	0	0	5,725	5,725
Transfers In	695,000	937,000	533,250	(403,750)
Total Other Financing Sources (Uses)	695,000	1,937,000	1,543,290	(393,710)
Net Change in Fund Balance	164,033	(1,082,712)	(952,462)	130,250
Fund Balance Beginning of Year	82,711	82,711	82,711	0
Prior Year Encumbrances Appropriated	1,053,051	1,053,051	1,053,051	0
Fund Balance End of Year	\$1,299,795	\$53,050	\$183,300	\$130,250

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Coleman's Crossing TIF Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$0	\$0	\$50,980	\$50,980
Total Revenues	<u>0</u>	<u>0</u>	<u>50,980</u>	<u>50,980</u>
Expenditures				
Debt Service:				
Principal Retirement	6,800,000	6,800,000	6,800,000	0
Interest and Fiscal Charges	<u>187,000</u>	<u>187,000</u>	<u>185,442</u>	<u>1,558</u>
Total Expenditures	<u>6,987,000</u>	<u>6,987,000</u>	<u>6,985,442</u>	<u>1,558</u>
Excess of Revenues Over Expenditures	<u>(6,987,000)</u>	<u>(6,987,000)</u>	<u>(6,934,462)</u>	<u>52,538</u>
Other Financing Sources (Uses)				
Bond Anticipation Notes Issued	6,939,060	6,939,060	6,940,000	940
Transfers In	<u>47,940</u>	<u>47,940</u>	<u>47,940</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>6,987,000</u>	<u>6,987,000</u>	<u>6,987,940</u>	<u>940</u>
Net Change in Fund Balance	0	0	53,478	53,478
Fund Balance Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$53,478</u>	<u>\$53,478</u>

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Net Assets
Enterprise Funds
December 31, 2005

	Sewer	Water	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,998,597	\$2,928,439	\$752,395	\$7,679,431
Accounts Receivable	404,561	393,609	134,239	932,409
Due from Other Governments	244,150	142,500	0	386,650
Prepaid Items	59,584	53,866	2,423	115,873
Total Current Assets	4,706,892	3,518,414	889,057	9,114,363
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	63,409,520	3,388,691	0	66,798,211
Cash and Cash Equivalents with Fiscal Agents	18,800	434,906	0	453,706
Total Restricted Assets	63,428,320	3,823,597	0	67,251,917
Non-Current Assets:				
Land	6,000	1,662,500	0	1,668,500
Construction in Progress	3,397,149	1,082,830	125,136	4,605,115
Depreciable Capital Assets, Net	16,917,069	18,161,886	224,117	35,303,072
Total Non-Current Assets	20,320,218	20,907,216	349,253	41,576,687
Total Assets	88,455,430	28,249,227	1,238,310	117,942,967
LIABILITIES				
Current Liabilities:				
Accrued Wages Payable	14,271	12,862	3,670	30,803
Accounts Payable	104,787	60,470	14,510	179,767
Contracts Payable	500,903	20,530	0	521,433
Due to Other Governments	40,186	38,303	11,661	90,150
Retainage Payable	37,678	13,266	0	50,944
Accrued Interest Payable	108,506	27,434	0	135,940
Notes Payable	55,594,000	0	0	55,594,000
Capital Leases Payable	2,624	415	0	3,039
Compensated Absences Payable	68,687	56,452	5,582	130,721
General Obligation Bonds Payable	161,690	218,310	0	380,000
Mortgage Revenue Bonds Payable	235,000	547,216	0	782,216
Total Current Liabilities	56,868,332	995,258	35,423	57,899,013
Non-Current Liabilities:				
Capital Leases Payable	5,830	769	0	6,599
Compensated Absences Payable	15,222	69,092	8,097	92,411
General Obligation Bonds Payable	1,143,953	1,589,200	0	2,733,153
Mortgage Revenue Bonds Payable	13,481,826	11,376,527	0	24,858,353
Total Non-Current Liabilities	14,646,831	13,035,588	8,097	27,690,516
Total Liabilities	71,515,163	14,030,846	43,520	85,589,529
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	13,104,815	7,174,779	349,253	20,628,847
Restricted for:				
Sewer Replacement and Improvement	63,409,520	0	0	63,409,520
Water Replacement and Improvement	0	3,388,691	0	3,388,691
Unrestricted	(59,574,068)	3,654,911	845,537	(55,073,620)
Total Net Assets	\$16,940,267	\$14,218,381	\$1,194,790	\$32,353,438

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2005

	Sewer	Water	Other Enterprise Funds	Totals
OPERATING REVENUES				
Charges for Services	\$4,614,168	\$4,804,572	\$1,498,156	\$10,916,896
Tap-In Fees	1,520,347	866,352	0	2,386,699
Other Revenues	46,215	26,310	8,332	80,857
Total Operating Revenues	6,180,730	5,697,234	1,506,488	13,384,452
OPERATING EXPENSES				
Personal Services	1,019,487	999,554	288,014	2,307,055
Contractual Services	2,035,484	651,280	569,580	3,256,344
Materials and Supplies	956,674	397,211	99,052	1,452,937
Other Expenses	497,377	56,018	60,605	614,000
Depreciation	675,912	674,566	28,588	1,379,066
Total Operating Expenses	5,184,934	2,778,629	1,045,839	9,009,402
Operating Income	995,796	2,918,605	460,649	4,375,050
NON-OPERATING REVENUES (EXPENSES)				
Interest Revenue	0	13,757	0	13,757
Interest Expense	(749,501)	(533,390)	0	(1,282,891)
Other Non-Operating Expenses	0	(1,364)	0	(1,364)
Total Non-Operating Revenues (Expenses)	(749,501)	(520,997)	0	(1,270,498)
Change in Net Assets	246,295	2,397,608	460,649	3,104,552
Net Assets at Beginning of Year (as Restated - Note 3)	16,693,972	11,820,773	734,141	29,248,886
Net Assets at End of Year	\$16,940,267	\$14,218,381	\$1,194,790	\$32,353,438

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2005

	Sewer	Water	Other Enterprise Funds	Total
Increases (Decreases) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$6,093,446	\$5,665,683	\$1,480,740	\$13,239,869
Cash Received from Other Revenues	46,215	19,145	8,332	73,692
Cash Payments for Personal Services	(999,717)	(972,413)	(280,421)	(2,252,551)
Cash Payments to Suppliers	(2,525,203)	(1,088,287)	(711,191)	(4,324,681)
Cash Payments for Other Expenses	(497,377)	(56,018)	(60,605)	(614,000)
Net Cash Provided by Operating Activities	<u>2,117,364</u>	<u>3,568,110</u>	<u>436,855</u>	<u>6,122,329</u>
Cash Flows from Noncapital Financing Activities				
Other Expenses	0	(1,364)	0	(1,364)
Net Cash Used for Noncapital Financing Activities	<u>0</u>	<u>(1,364)</u>	<u>0</u>	<u>(1,364)</u>
Cash Flows from Capital and Related Financing Activities				
Principal Paid on General Obligation Bonds	(169,690)	(205,310)	0	(375,000)
Interest Paid on General Obligation Bonds	(567,379)	(42,894)	0	(610,273)
Principal Paid on Mortgage Revenue Bonds	0	(533,466)	0	(533,466)
Interest Paid on Mortgage Revenue Bonds	0	(489,738)	0	(489,738)
Principal Paid on Bond Anticipation Notes	(19,765,260)	0	0	(19,765,260)
Interest Paid on Bond Anticipation Notes	(132,425)	0	0	(132,425)
Principal Paid on Capital Leases	(2,138)	(333)	0	(2,471)
Interest Paid on Capital Leases	(1,156)	(185)	0	(1,341)
Mortgage Revenue Bonds Issued	13,716,826	0	0	13,716,826
Bond Anticipation Notes Issued	61,963,000	0	0	61,963,000
Acquisition of Fixed Assets	(3,397,149)	(635,310)	(171,946)	(4,204,405)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>51,644,629</u>	<u>(1,907,236)</u>	<u>(171,946)</u>	<u>49,565,447</u>
Cash Flows from Investing Activities				
Interest	0	13,757	0	13,757
Net Cash Provided by Investing Activities	<u>0</u>	<u>13,757</u>	<u>0</u>	<u>13,757</u>
Net Increase (Decrease) in Cash and Cash Equivalents	53,761,993	1,673,267	264,909	55,700,169
Cash and Cash Equivalents Beginning of Year	<u>13,664,924</u>	<u>5,078,769</u>	<u>487,486</u>	<u>19,231,179</u>
Cash and Cash Equivalents End of Year	<u><u>\$67,426,917</u></u>	<u><u>\$6,752,036</u></u>	<u><u>\$752,395</u></u>	<u><u>\$74,931,348</u></u>

(continued)

City of Marysville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2005
(continued)

	Sewer	Water	Other Enterprise Funds	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$995,796	\$2,918,605	\$460,649	\$4,375,050
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Depreciation	675,912	674,566	28,588	1,379,066
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	77,371	(5,241)	(17,416)	54,714
(Increase) Decrease in Due from Other Governments	(118,440)	(7,165)	0	(125,605)
(Increase) Decrease in Prepaid Items	(261)	(9,376)	(938)	(10,575)
Increase (Decrease) in Accounts Payable	(30,346)	(31,533)	(41,621)	(103,500)
Increase (Decrease) in Contracts Payable	459,884	(12,153)	0	447,731
Increase (Decrease) in Retainage Payable	37,678	13,266	0	50,944
Increase (Decrease) in Accrued Wages Payable	2,171	4,971	1,496	8,638
Increase (Decrease) in Due to Other Governments	3,047	2,378	2,192	7,617
Increase (Decrease) in Compensated Absences Payable	14,552	19,792	3,905	38,249
Net Cash Provided by (Used for) Operating Activities	<u>\$2,117,364</u>	<u>\$3,568,110</u>	<u>\$436,855</u>	<u>\$6,122,329</u>

See accompanying notes to the basic financial statements.

City of Marysville
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2005

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$7,646
Cash and Cash Equivalents in Segregated Accounts	<u>123,686</u>
Total Assets	<u><u>\$131,332</u></u>
LIABILITIES	
Undistributed Assets	<u>\$131,332</u>
Total Liabilities	<u><u>\$131,332</u></u>

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

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

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

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Marysville, this includes the Marysville Municipal Court and all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Marysville in 2005.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, Street Maintenance and Repair Fund, Coleman's Crossing Tax Incremental Financing (TIF) Fund, and the Debt Service Fund are the City's only major governmental funds:

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to city charter and/or the general laws of Ohio.

Street Maintenance and Improvement Fund - The Street Maintenance and Improvement Fund is a Special Revenue fund which receives the proceeds of gasoline and motor vehicle excise taxes levied by Union County and the State of Ohio. This fund also receives a transfer of general operating monies from the General Fund of the City. Allowable uses of these monies include construction, maintenance, and improvement of the City's streets, sidewalks, and alleys.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Governmental Funds (continued)

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary funds focus on net assets and changes in net assets. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City’s own programs. The City did not have any trust funds in 2005. The City’s agency funds, which account for fees charged by the law library, municipal court operations, and unclaimed funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year-end.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

E. Budgets

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

Tax Budget

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

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as "original" represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as "final" reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations

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

Lapsing of Appropriations

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

Encumbrances

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

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

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

Investments are reported at fair value, except for repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2005 was \$725,728, which includes \$616,285 assigned from other City funds.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Investments (continued)

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. This includes recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Restricted Assets

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

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the government-wide statement of net assets and in the respective funds.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Inter-fund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "Inter-fund Receivables/Payables". Inter-fund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only inter-fund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances". There were no inter-fund receivables/payables at December 31, 2005.

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Notes, capital leases, and bonds are recognized as liabilities on the fund financial statements when due.

M. Fund Balance Reserves

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted for other purposes represents balances of state and federal grants in Special Revenue Funds.

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

O. Operating Revenues and Expenses

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

P. Capital Contributions

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

Q. Inter-fund Transactions

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during 2005.

S. Estimates

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 3 – PRIOR PERIOD ADJUSTMENTS AND NEW GASB PRONOUNCEMENTS

Prior Period Adjustments

The initial general-purpose financial statements were prepared by the City for the year ended December 31, 2000. Since that time the City has carried immaterial differences between fixed assets reported on the annual financial report and subsidiary fixed asset ledgers. These differences were determined to be inconsequential in previous years and reported balances were not reconciled to the supporting ledgers. Those immaterial differences have been reviewed and the following adjustments made to ensure the financial reports agree to the fixed asset ledgers.

The most significant adjustments noted in Governmental Activities include a year 2000 conversion error which resulted in a bridge booked twice, a year 2001 traffic signalization project (Other Infrastructure) booked twice, and a year 2001 formula error which resulted in additional depreciation being assessed on a portion of the road infrastructure which had been previously determined to be fully depreciated.

The most significant adjustments noted in Business-Type Activities include year 2000 conversion errors in Furniture and Equipment, Vehicles, and Water and Sewer lines. In addition, the year 2002 Vehicle disposals (fully depreciated) were not carried forward to the financial statements.

The effects of reconciling these differences require the following adjustments of the beginning capital asset and depreciation tables:

	As Reported	As Corrected
Governmental Activities		
Depreciable Capital Assets		
Furniture and Equipment	\$982,345	\$980,461
Vehicles	2,000,429	1,994,757
Infrastructure – Bridges	310,428	157,288
Infrastructure – Other	1,590,100	1,507,692
Accumulated Depreciation		
Buildings	(1,366,148)	(1,365,700)
Improvements Other Than Buildings	(713,907)	(715,007)
Computers and Computer Equipment	(42,143)	(45,137)
Furniture and Equipment	(499,517)	(499,562)
Vehicles	(1,468,040)	(1,475,405)
Infrastructure – Bridges	(76,130)	(25,559)
Infrastructure – Roads	(39,489,821)	(39,142,521)
Infrastructure – Other	(215,368)	(217,269)
Business-Type Activities		
Depreciable Capital Assets		
Furniture and Equipment	593,006	716,255
Vehicles	1,042,864	953,493
Infrastructure – Sewer Lines	14,644,916	15,015,983
Infrastructure – Water Lines	22,738,935	23,384,338
Accumulated Depreciation		
Improvements Other Than Buildings	(22,711)	(40,167)
Computers and Computer Equipment	(22,132)	(32,143)
Furniture and Equipment	(390,257)	(434,568)
Vehicles	(520,310)	(398,261)
Infrastructure – Sewer Lines	(3,967,977)	(4,141,357)
Infrastructure – Water Lines	(5,789,563)	(5,830,921)

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 3 – PRIOR PERIOD ADJUSTMENTS AND NEW GASB PRONOUNCEMENTS (continued)

Prior Period Adjustments (continued)

These adjustments to capital asset and accumulated depreciation balances had the following effects on beginning net assets:

<u>Opinion Unit</u>	<u>Net Assets as Reported 12/31/04</u>	<u>Restatements</u>	<u>Net Assets as Corrected 1/1/05</u>
Governmental Activities	\$28,772,907	\$141,810	\$28,914,717
Business-Type Activities	28,363,005	885,881	29,248,886
Sewer Fund	16,468,299	225,673	16,693,972
Water Fund	11,203,143	617,630	11,820,773
Other Enterprise Funds	691,563	42,578	734,141

New GASB Pronouncements

For the year ended December 31, 2005, the City implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The implementation of GASB Statement No. 40 had some effect on disclosures, however, there was no effect on the prior period fund balances or net assets of the City.

For the year ended December 31, 2005, the City also implemented GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*. GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the City's fund beginning fund balances or net assets.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	Net Change in Fund Balance		
	General	Street Maintenance and Repair	Coleman's Crossing TIF
GAAP Basis	\$67,136	(\$648,116)	\$53,478
<u>Increases (Decreases) Due To</u>			
Revenue Accruals	1,489,647	93,325	(19,600)
Expenditure Accruals	(521,438)	140,347	19,600
Encumbrances Outstanding At Year-End (Budget Basis)	(343,168)	(538,018)	0
Budget Basis	\$692,177	(\$952,462)	\$53,478

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

Cash on Hand

At year-end, the City had \$5,526 in undeposited cash on hand which is included on the statement of net assets as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At year-end, the carrying amount of the City's deposits was \$11,294,001 and the bank balance was \$11,648,114. Of the bank balance, \$499,402 was covered by federal depository insurance. The remaining balance of \$11,148,712 was collateralized with securities held in single financial institution collateral pools in the name of the respective depository bank and pledged as a pool of collateral against all of the public moneys it holds.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments

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

	Uncategorized	Category 1	Category 2	Carrying/Fair Value	Weighted Average Maturity (Years)
Money Market	\$0	\$0	\$16,744,263	\$16,744,263	< 1 year
Federal Home Loan Bank	0	15,965,473	0	15,965,473	< 1 year
Federal Home Loan Bank	0	10,885,523	0	10,885,523	1-2 years
Federal Home Loan Mortgage Corporation	0	3,883,573	0	3,883,573	< 1 year
Federal Home Loan Mortgage Corporation	0	2,721,486	0	2,721,486	1-2 years
Federal National Mortgage Association	0	5,072,871	0	5,072,871	< 1 year
Federal National Mortgage Association	0	984,567		984,567	1-2 years
STAR Ohio	14,238,249	0	0	14,238,249	< 1 year
Total	<u>\$14,238,249</u>	<u>\$39,513,493</u>	<u>\$16,744,263</u>	<u>\$70,496,005</u>	

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

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

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The City has invested 56% of its investments in U.S. Government Securities, 20% in STAR Ohio, and 24% in money market accounts.

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

As of December 31, 2005, \$11,148,712 of the City's bank balances was exposed to custodial credit risk as follows:

	December 31, 2005
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	\$11,148,712

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined to include investments included within the City's cash management pool and investments with a maturity date of three months or less.

Reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$81,795,532	\$0
Cash on Hand	(5,526)	0
Investments:		
Money Market	(16,744,263)	16,744,263
Federal Agency Securities	(39,513,493)	39,513,493
STAR Ohio	(14,238,249)	14,238,249
GASB Statement No. 3	\$11,294,001	\$70,496,005

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2005 represent the collection of 2004 taxes. For 2005, real property taxes were levied after October 1, 2004, on the assessed values as of January 1, 2005, the lien date. These taxes will be collected in and are intended to finance 2006 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes for 2005 were levied after October 1, 2005, on the assessed values as of December 31, 2004. These taxes will be collected in and are intended to finance 2006 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2005 (other than public utility property) represent the collection of 2005 taxes. For 2005, tangible personal property taxes were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 6 - PROPERTY TAXES (continued)

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Marysville. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2005 operations.

The full tax rate for all City operations for the year ended December 31, 2005, was \$4.50 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$ 234,605,660
Commercial/Industrial	101,526,310
Public Utility Real	109,660
Public Utility Personal	9,601,820
Tangible Personal	57,395,740
Total Assessed Value	\$ 403,239,190

NOTE 7 - MUNICIPAL INCOME TAXES

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005, consisted of interest; taxes; accounts (billings for user charged services, including unbilled utility services); special assessments; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
State of Ohio	\$86,686
Local Government	223,118
Union County	85,374
911 Reimbursement	73,162
Marysville Municipal Court	26,913
Union County Law Library	11,473
Total General Fund	\$506,726

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 8 - RECEIVABLES (continued)

Major Governmental Funds	
Street Construction and Repair	
Gas Tax	\$289,820
Motor Vehicle License Tax	58,802
Total Major Governmental Funds	\$348,622
Non-Major Governmental Funds	
Police Pension	
State of Ohio	\$6,130
Fire Pension	
State of Ohio	6,130
Mandatory Drug Fine	
Marysville Municipal Court	150
DUI Alcohol Education/Enforce	
Marysville Municipal Court	184
State Highway Improvement	
Gas Tax	24,149
Motor Vehicle License Tax	4,768
Computer Aided Research	
Marysville Municipal Court	2,015
Court Computerization	
Marysville Municipal Court	2,021
Court Special Projects	
Marysville Municipal Court	5,329
Court Probation Fine	
Marysville Municipal Court	1,819
Total Non-Major Governmental Funds	\$52,696
Total Governmental Activities	\$908,044
Enterprise Funds	
Sewer	
Union County	244,150
Water	
Union County	142,500
Total Business-Type Activities	\$386,650
Total All Funds	\$1,294,694

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 9 – INTER-FUND TRANSFERS

Inter-fund transfers for the year ended December 31, 2005 consisted of the following:

		Transfer From	
		General Fund	Other Governmental Funds
Transfer To	Street Fund	\$533,250	\$0
	Coleman’s Crossing TIF Fund	0	47,940
	Debt Service Fund	1,185,880	0
	Other Governmental Funds	57,964	0
	Total	\$1,777,094	\$47,940

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Restated Balance at 12/31/2004	Additions	Reductions	Balance at 12/31/2005
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,084,725	\$0	\$0	\$1,084,725
Construction in Progress	5,255,042	1,611,211	(5,255,042)	1,611,211
Subtotal	<u>6,339,767</u>	<u>1,611,211</u>	<u>(5,255,042)</u>	<u>2,695,936</u>
Depreciable Capital Assets				
Buildings	3,242,953	0	0	3,242,953
Improvements Other Than Buildings	1,870,983	27,203	0	1,898,186
Computers and Computer Equipment	115,305	20,671	0	135,976
Furniture and Equipment	980,461	189,326	(146,418)	1,023,369
Vehicles	1,994,757	1,131,032	(127,960)	2,997,829
Infrastructure				
Bridges	157,288	0	0	157,288
Roads	62,195,740	0	0	62,195,740
Storm Sewers	2,932,297	0	0	2,932,297
Other	1,507,692	6,515,030	0	8,022,722
Subtotal	<u>74,997,476</u>	<u>7,883,262</u>	<u>(274,378)</u>	<u>82,606,360</u>
Less: Accumulated Depreciation				
Buildings	(1,365,700)	(78,163)	0	(1,443,863)
Improvements Other Than Buildings	(715,007)	(103,559)	0	(818,566)
Computers and Computer Equipment	(45,137)	(21,327)	0	(66,464)
Furniture and Equipment	(499,562)	(101,142)	94,966	(505,738)
Vehicles	(1,475,405)	(191,115)	122,636	(1,543,884)
Infrastructure				
Bridges	(25,559)	(3,932)	0	(29,491)
Roads	(39,142,521)	(1,207,595)	0	(40,350,116)
Storm Sewers	(577,834)	(73,307)	0	(651,141)
Other	(217,269)	(119,130)	0	(336,399)
Total Accumulated Depreciation	<u>(44,063,994)</u>	<u>(1,899,270)</u>	<u>217,602</u>	<u>(45,745,662)</u>
Total Depreciable Capital Assets, Net	<u>30,933,482</u>	<u>5,983,992</u>	<u>(56,776)</u>	<u>36,860,698</u>
Governmental Activities Capital Assets, Net	<u>\$37,273,249</u>	<u>\$7,595,203</u>	<u>(\$5,311,818)</u>	<u>\$39,556,634</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$220,961
Security of Persons and Property	
Police	56,721
Fire	107,919
Other	11,468
Public Health	17,437
Transportation	1,399,848
Community Environment	21,902
Leisure Time Activities	<u>63,014</u>
Total Depreciation Expense	<u><u>\$1,899,270</u></u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 10 - CAPITAL ASSETS (continued)

	Restated Balance at 12/31/04	Additions	Reductions	Balance at 12/31/05
Business-Type Activities				
Land	\$1,668,500	\$0	\$0	\$1,668,500
Construction in Progress	694,550	3,910,565	0	4,605,115
Subtotal	<u>2,363,050</u>	<u>3,910,565</u>	<u>0</u>	<u>6,273,615</u>
Depreciable Capital Assets				
Buildings	9,757,973	0	0	9,757,973
Improvements Other Than Buildings	1,088,914	0	0	1,088,914
Computers and Computer Equipment	110,805	0	0	110,805
Furniture and Equipment	716,255	60,042	0	776,297
Vehicles	953,493	0	0	953,493
Infrastructure				
Sewer Lines	15,015,983	0	0	15,015,983
Water Lines	23,384,338	233,797	0	23,618,135
Subtotal	<u>51,027,761</u>	<u>293,839</u>	<u>0</u>	<u>51,321,600</u>
Less: Accumulated Depreciation				
Buildings	(3,762,045)	(234,704)	0	(3,996,749)
Improvements Other Than Buildings	(40,167)	(32,809)	0	(72,976)
Computers and Computer Equipment	(32,143)	(22,048)	0	(54,191)
Furniture and Equipment	(434,568)	(53,311)	0	(487,879)
Vehicles	(398,261)	(86,471)	0	(484,732)
Infrastructure				
Sewer Lines	(4,141,357)	(367,544)	0	(4,508,901)
Water Lines	(5,830,921)	(582,179)	0	(6,413,100)
Total Accumulated Depreciation	<u>(14,639,462)</u>	<u>(1,379,066)</u>	<u>0</u>	<u>(16,018,528)</u>
Total Depreciable Capital Assets, Net	<u>36,388,299</u>	<u>(1,085,227)</u>	<u>0</u>	<u>35,303,072</u>
Business-Type Activities Capital Assets, Net	<u>\$38,751,349</u>	<u>\$2,825,338</u>	<u>\$0</u>	<u>\$41,576,687</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 11 - RESTRICTED ASSETS

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

<u>Assets:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equity in Pooled Cash and Cash Equivalents	\$3,003,455	\$66,798,211
Cash and Cash Equivalents with Fiscal Agent	0	453,706
Accounts Receivable	11,466	0
Due From Other Governments	401,318	0
Accrued Interest	5,284	
Prepaid Items	16,070	0
Property Taxes Receivable	223,272	0
Special Assessments Receivable	285,163	0
Total Restricted Assets	<u>3,946,028</u>	<u>67,251,917</u>
Less Liabilities Payable from Restricted Assets	<u>677,964</u>	<u>453,706</u>
Restricted Net Assets	<u><u>\$3,268,064</u></u>	<u><u>\$66,798,211</u></u>

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the City contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Buildings	\$ 18,364,538	\$ 5,000
Personal Property	3,827,587	5000
Liability	2,000,000	0
Wrongful Acts	2,000,000	1,000
Law Enforcement	2,000,000	2,000
Automobile	2,000,000	0
Bond	Unlimited	0
Electronic Data Processing	25,000 – 263,899	0

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 13 - CONTRACTUAL COMMITMENTS

At December 31, 2005, the City had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Gannett-Fleming	Engineering - Raymond Road Reservoir	\$14,850
Jones and Henry	Engineering - New Water Well	775
Don Walsh and Associates	Eljer Park Skatepark	68,659
The Shelley Company	Various Paving Projects	131,312
Chemcote	Various Paving Projects	259,814
G. M. Baker & Sons	Installation – Water Well #5	18,383
ABLE Roofing	City Hall Roof Repair	131,755
U.S. Filter	Solution Tank Feed System	43,990
Righter Company Inc.	Wastewater Treatment Plant Improvements	1,361,698
Enviro-Flow Companies	Sanitary Sewer System Rehab Phase I - Manholes	3,518

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 9.55 percent was the portion used to fund pension obligations for 2005. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the System for the years ended December 31, 2005, 2004, and 2003 were \$587,127, \$552,818, and \$547,975, respectively; 72.77 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$159,854, is recorded as a liability.

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's contributions to OP&F for the years ended December 31, 2005, 2004, and 2003 were \$686,720, \$659,719, and \$637,973, respectively; 70.0 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$206,664, is recorded as a liability.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (the System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit enrolled in the Traditional or Combined Plans. Members of the Member-Defined Plan do not qualify for ancillary benefits, including post-employment health care coverage. Health care coverage for disability benefit and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 employer contribution rate for local government employers was 13.55 percent of covered payroll; 4 percent was the portion used to fund health care for 2005.

Benefits are advance funded using the entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability. Significant actuarial assumptions include a rate of return on investments of eight percent, an annual increase in active employee total payroll of four percent compounded annually, and an additional increase in total payroll of .50 percent to 6.3 percent based on additional pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent annually. OPEB are financed through employer contributions and investment earnings. At December 31, 2005, the total number of active contributing participants in the Traditional and Combined Plans was 376,109. As of December 31, 2004 (the latest information available), the actuarial value of net assets available for future OPEB payments were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial liability were \$29.5 billion and \$18.7 billion, respectively. The City's actual contributions for 2005 which were used to fund OPB were \$173,320.

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

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund

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

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2005 and in 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, are 13,812 for police and 10,528 for firefighters. The City's actual contributions for 2005 that were used to fund post-employment benefits were \$122,022 for police and \$122,533 for firefighters. The Fund's total health care expenses for the year ended December 31, 2004, (the latest information available) were \$102,173,796, which was net of member contributions of \$55,665,341.

NOTE 16 - COMPENSATED ABSENCES

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

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2005, were as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Governmental Activities					
2004 Vehicle and Equipment	1%	\$720,000	\$0	\$720,000	\$0
2004 Street Improvement	2%	1,000,000	0	1,000,000	0
2004 Tax Increment Financing	3%	6,847,931	0	6,847,931	0
2005 Various Purpose Notes	3%	0	1,409,777	0	1,409,777
2005 Street Improvement					
Notes	4%	0	1,007,750	0	1,007,750
2005 Tax Increment Financing	4%	0	7,010,580	0	7,010,580
Total Governmental Activities		<u>8,567,931</u>	<u>9,428,107</u>	<u>8,567,931</u>	<u>9,428,107</u>
Business-Type Activities					
Sewer Fund					
2004-A Sewer Notes	2%	\$7,006,370	\$0	\$7,006,370	\$0
2004 Sewer System	3%	6,389,890	0	6,389,890	0
2005 Sewer Plant	5%	0	55,594,000	0	55,594,000
Construction Notes					
2005 Sewer System	4%	0	6,369,000	6,369,000	0
Total Sewer Fund		<u>13,396,260</u>	<u>61,963,000</u>	<u>19,765,260</u>	<u>55,594,000</u>
Total Business Type Activities		<u>\$13,396,260</u>	<u>\$61,963,000</u>	<u>\$19,765,260</u>	<u>\$55,594,000</u>

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

The reductions for governmental activities notes payables shown above include principal payments of \$8,520,000 and reduction of premium of \$47,931.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2005, was as follows:

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2004	Amounts Due in One Year
<u>Governmental Activities</u>					
General Obligation Bonds					
1986 Building Improvement	\$60,000	\$0	\$30,000	\$30,000	\$30,000
2000 Various Purpose	8,725,000	0	370,000	8,355,000	385,000
Total Debt Service G.O. Bonds	8,785,000	0	400,000	8,385,000	415,000
Special Assessment Bonds					
1995 Special Assessment - 6.50%	5,000	0	5,000	0	0
Other Long-Term Obligations					
Compensated Absences Payable	640,015	549,973	640,015	549,973	439,524
Capital Leases Payable	72,439	49,270	39,079	82,630	26,600
Total Other Long-Term Obligations	712,454	599,243	679,094	632,603	466,124
Total Governmental Activities	\$9,502,454	\$599,243	\$1,084,094	\$9,017,603	\$881,124
<u>Business-Type Activities</u>					
General Obligation Bonds					
2004 Various Improvement Refunding - 2.00-3.70%	\$3,488,153	\$0	\$375,000	\$3,113,153	\$380,000
Total General Obligation Bonds	3,488,153	0	375,000	3,113,153	380,000
Mortgage Revenue Bonds					
2002 Water System Mortgage Rev	3,565,000	0	135,417	3,429,583	140,000
2003 Water System Mortgage Rev	8,942,320	0	400,833	8,541,487	410,000
2005 Sewer System Mortgage Revenue	0	13,716,826	0	13,716,826	235,000
Unamortized Discount on Sale of Bonds	(50,111)	0	(2,784)	(47,327)	(2,784)
Total Mortgage Revenue Bonds	12,457,209	13,716,826	533,466	25,640,569	782,216
Other Long-Term Obligations					
Compensated Absences Payable	184,884	223,132	184,884	223,132	130,721
Capital Leases Payable	12,109	0	2,471	9,638	3,039
Total Other Long-Term Obligations	196,993	223,132	187,355	232,770	133,760
Total Business-Type Activities	\$16,142,355	\$13,939,958	\$1,095,821	\$28,986,492	\$1,295,976

Governmental Activities General Obligation Bonds

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

2000 Various Improvement

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

Redemption Dates

December 1, 2010 through November 30, 2011
 December 1, 2011 and thereafter

Redemption Prices

101 percent
 100 percent

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Special Assessment Bonds

The special assessment bonds are backed by the full faith and credit of the City of Marysville. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the City will be required to pay the related debt. These bonds were retired during 2005.

Compensated Absences Payable

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

Capital Leases Payable

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

Business-Type Activities General Obligation Bonds

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

2004 Various Purpose Refunding Bonds

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

Mortgage Revenue Bonds

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

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

Restricted Assets Held by City	
Sewer Replacement and Improvement	\$ 63,409,520
Water Replacement and Improvement	3,388,691

2002 Water System Mortgage Revenue Bonds

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

2003 Water System Mortgage Revenue Refunding Bonds

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

2005 Sewer System Mortgage Revenue Bonds

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

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. Restricted assets relating to the water mortgage revenue bonds at December 31, 2005, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$27,783
Mortgage Revenue Bond Fund	39
Mortgage Revenue Bond Reserve Fund	309,948
Mortgage Revenue Refunding Bond Fund	97,136
Sewer System Mortgage Revenue Bond Fund	18,800

The City's overall legal debt margin was \$24,527,008 at December 31, 2005.

Principal and interest requirements to retire general obligation bonds, special assessment bonds, and mortgage revenue bonds at December 31, 2005, were as follows:

Year	Governmental Activities General Obligation Bonds				Business-Type Activities General Obligation Bonds	
	1986 Building Improvement		2000 Various Improvement		*2004 Various Improvement Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$30,000	\$2,213	\$385,000	\$431,280	\$380,000	\$89,933
2007	0	0	405,000	412,030	395,000	82,333
2008	0	0	425,000	391,780	400,000	73,840
2009	0	0	445,000	370,530	410,000	63,840
2010	0	0	470,000	348,280	420,000	51,540
2011-2015	0	0	2,720,000	1,365,080	1,100,000	74,845
2016-2020	0	0	3,505,000	583,925	0	0
Totals	\$30,000	\$2,213	\$8,355,000	\$3,902,905	\$3,105,000	\$436,331

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

*The above amortization schedule for the 2004 Various Improvement Refunding Bonds does not agree to the bonds payable amount on page 51 because it does not include \$8,153 in an unamortized premium on the 2004 issue.

Year	Business-Type Activities Mortgage Revenue Bonds					
	2003 Water System Mortgage Revenue Refunding		2002 Water System Mortgage Revenue Improvement		*2005 Sewer System Mortgage Revenue Improvement	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$410,000	\$318,664	\$140,000	\$162,565	\$235,000	\$599,505
2007	420,000	310,462	145,000	157,385	245,000	591,868
2008	425,000	301,644	150,000	151,585	250,000	583,293
2009	435,000	291,018	155,000	145,360	260,000	574,543
2010	450,000	279,056	165,000	138,695	270,000	565,443
2011-2015	2,495,000	1,149,329	935,000	575,423	8,110,000	2,663,190
2016-2020	3,075,000	560,328	1,180,000	325,950	1,835,000	686,690
2021-2025	695,000	31,275	559,583	43,095	500,000	460,100
2026-2028	0	0	0	0	1,640,000	142,975
Totals	<u>\$8,405,000</u>	<u>\$3,241,776</u>	<u>\$3,429,583</u>	<u>\$1,700,058</u>	<u>\$13,345,000</u>	<u>\$6,867,605</u>

**The above amortization schedule for the 2003 Water System Mortgage Revenue Refunding Bonds does not agree to the bonds payable amount on page 51 because 1) it does not include \$107,114 in an unamortized premium on the 2003 bond issue and 2) because the City paid its scheduled bond payments for 2005 to its trust company, but the trust company had not yet withdrawn the whole amount as of year-end, having a balance of \$29,373 in a trust cash account. This balance is shown in the "Cash and Cash Equivalents with Fiscal Agents" account balance.

***The above amortization schedule for the 2005 Sewer System Mortgage Revenue Improvement Bonds does not agree to the bonds payable amount on page 51 because it does not include \$371,826 in an unamortized premium on the 2005 issue.

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds making the lease payments. Capital lease payments are reflected as debt service expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the governmental funds. Capital lease payments are reflected as a reduction of the liability for the enterprise funds. Assets, consisting of equipment, have been capitalized, in the amount of \$126,839 in the governmental funds and \$13,934 in the enterprise funds. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in 2005 were \$39,079 and \$2,471, in governmental and enterprise funds, respectively.

	Governmental Activities	Business-Type Activities
Property under Capital Lease	\$126,839	\$13,934
Less Accumulated Depreciation	(47,607)	(5,434)
Total December 31, 2005	<u>\$79,232</u>	<u>\$8,500</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2005.

Year	Governmental Activities	Business-Type Activities
2006	\$30,185	\$4,130
2007	23,585	3,812
2008	19,302	3,639
2009	11,022	0
2010	6,844	0
Total	90,938	11,581
Less Amount Representing Interest	(8,308)	(1,943)
Present Value of Net Minimum Lease Payments	\$82,630	\$9,638

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

Marysville/Union County Joint Recreation District

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

Union County Community Improvement Corporation

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

NOTE 21 - CONTINGENT LIABILITIES

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

For the period January 1, 2005 to December 31, 2005, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 22 - SUBSEQUENT EVENTS

On January 26, 2006, the City issued bond anticipation notes, in the amount of \$4,035,000 to fund the acquisition of water lines, sewer lines, pumping stations, and related equipment from Union County, Ohio. The notes have an interest rate of 4.25 percent and mature on January 25, 2007.

On March 8, 2006, the City issued general obligation notes, in the amount of \$1,890,000, to retire notes previously issued, in the amount of \$2,405,000 for motor vehicle purchases, equipment, a pumper truck, and various street resurfacing projects. The notes have an interest rate of 4.0 percent and mature on March 7, 2007.

On April 6, 2006, the City issued general obligation notes, in the amount of \$1,000,000 to conduct a street maintenance and repair program on various city streets. The notes have an interest rate of 4.25 percent and mature on March 7, 2007.

City of Marysville
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct:</i>			
Public Safety Partnership and Community Policing Grants	N	16.710	\$21,784
Total United States Department of Justice			21,784
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Direct:</i>			
Assistance to Firefighters Grant	N	97.044	674,498
<i>Passed through Ohio Department of Public Safety:</i>			
Public Assistance Grants	FEMA-3198-EM-159-48160	97.036	13,670
Total United States Department of Homeland Security			688,168
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Ohio Department of Development:</i>			
HOME Investment Partnerships Program	A-C-03-144-2	14.239	223,413
Community Development Block Grants/State's Program	A-C-03-144-1	14.228	129,291
Community Development Block Grants/State's Program	A-F-04-144-1	14.228	71,000
Total Community Development Block Grant			200,291
Total United States Department of Housing and Urban Development			423,704
Total Federal Financial Assistance			\$1,133,656

N - Direct from Federal Government

See notes to the schedule of federal awards expenditures.

City of Marysville
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

BALESTRA, HARR & SCHERER CPAs, INC.

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Member American Institute of Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 29, 2006, in which we indicated that the City implement GASB Statement No. 40 and GASB Technical Bulletin 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in a separate letter dated June 29, 2006.

City of Marysville

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, members of 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.

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

Balestra, Harr & Scherer, CPAs, Inc.
June 29, 2006

BALESTRA, HARR & SCHERER CPAs, INC.

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

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

Compliance

We have audited the compliance of the City of Marysville, Union County, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

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.

City of Marysville

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

Page 2

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We noted a certain matter that we reported to the management of the City in a separate letter dated June 29, 2006.

This report is intended solely for the information and use of management, members of the 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.



Balestra, Harr & Scherer, CPAs, Inc.

June 29, 2006

City of Marysville
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Assistance to Firefighters, CFDA # 97.044
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

City of Marysville
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
(Continued)
For the Year Ended December 31, 2005

**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



**Auditor of State
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CITY OF MARYSVILLE

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 19, 2006**