



**Mary Taylor, CPA**  
Auditor of State



**CITY OF MARYSVILLE  
UNION COUNTY**

**TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management Discussion & Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet—Governmental Funds .....	13
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual—Coleman’s Crossing TIF Fund .....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual—City Gate TIF Fund.....	19
Statement of Net Assets—Enterprise Fund .....	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets—Enterprise Funds .....	21
Statement of Cash Flows .....	22
Statement of Fiduciary Assets and Liabilities—Agency Fund .....	23
Notes to the Basic Financial Statements .....	25
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards .....	63
Schedule of Findings.....	65
Schedule of Prior Audit Findings.....	69

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

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, Ohio (the City), as of and for the year ended December 31, 2008, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, Ohio, as of December 31, 2008 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Coleman's Crossing TIF, and City Gate TIF funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 16, 2009

**CITY OF MARYSVILLE  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

---

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, 2008. 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 and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets increased \$7,228,624. Net assets of governmental activities decreased \$346,423, which represents a 1.13 percent decrease from 2007. Net assets of business-type activities increased \$7,575,047 or 18.11 percent from 2007.
- Total assets of governmental activities decreased \$960,513, which represents a 1.67 percent decrease from 2007. Total liabilities of governmental activities decreased \$614,090, or 2.29 percent. Both decreases are attributable to decreases in cash, debt activity, and borrowed resources for economic development and street infrastructure improvements.
- Total assets of business-type activities increased \$5,033,487 which represents a 2.16 percent increase from 2007. Total liabilities of business-type activities decreased \$2,541,560, or 1.33 percent. Both differences are attributable primarily to the continued construction costs of a new sanitary sewer plant, trunk interceptor sewer, and transmission lines from the existing plant as well as payments made on the outstanding debt for these capital improvement projects.
- In total, cash and cash equivalents decreased \$72,671,281 or 56.42 percent. Total cash and cash equivalents of governmental activities decreased \$1,662,784 or 17.33 percent, while cash and cash equivalents in business-type activities decreased \$72,604,093 or 60.90 percent. The decrease in governmental activities cash and cash equivalents was due to completion of capital improvement projects for street infrastructure as well as the expenditure of General Fund carryover cash balances to finance operations. The decrease in business type activities cash and cash equivalents was due to borrowed monies which were used in 2008 for capital improvement projects mentioned above.
- Overall, the book value of capital assets increased by \$78,023,133. Total capital assets from governmental activities decreased by \$24,696 or 0.06 percent. Capital assets from business-type activities increased by \$78,047,739 or 70.14 percent. These increases were due to increased investment in capital assets including approximately \$1,000,000 in City Gate TIF capital improvements and construction in progress on the Water Reclamation Facility (wastewater treatment plant), trunk interceptor sewer, and wastewater treatment pump station.

**Using the Annual Financial Report**

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

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

**CITY OF MARYSVILLE  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

---

**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 2008?" 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 net assets is important because it identifies whether the financial position of the City has improved or diminished for the City as a whole. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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

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

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

Fund Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

**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 2008 and 2007.

Net Assets  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007 *	2008	2007 *	2008	2007 *
<b>Assets</b>						
Current and Other Assets	\$13,636.5	\$14,572.4	\$48,935.0	\$121,949.3	\$62,571.5	\$136,521.6
Capital Assets, Net	42,766.6	42,791.3	189,325.7	111,277.9	232,092.3	154,069.2
<b>Total Assets</b>	<b>56,403.1</b>	<b>57,363.7</b>	<b>238,260.7</b>	<b>233,227.2</b>	<b>294,663.8</b>	<b>290,590.8</b>
<b>Liabilities</b>						
Current and Other Liabilities	4,495.2	17,981.6	7,428.3	37,016.9	11,923.5	54,998.5
Long-Term Liabilities						
Due within One Year	13,157.0	1,013.8	1,511.4	1,483.2	14,668.4	2,497.0
Due in More Than One Year	8,494.8	7,765.7	179,909.6	152,890.8	188,404.4	160,656.5
<b>Total Liabilities</b>	<b>26,147.0</b>	<b>26,761.1</b>	<b>188,849.3</b>	<b>191,390.9</b>	<b>214,996.3</b>	<b>218,152.0</b>
<b>Net Assets</b>						
Invested in Capital Assets Net of Related Debt	21,116.9	19,705.5	30,514.1	24,488.1	51,631.0	44,193.6
Restricted for:						
Capital Projects	611.5	1,351.2	0.0	0.0	611.5	1,351.2
Debt Service	199.0	69.7	0.0	0.0	199.0	69.7
Other Purposes	3,198.2	2,937.9	0.0	0.0	3,198.2	2,937.9
Sewer Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Sewer Replacement and Improvement	0.0	0.0	16,441.3	80,846.6	16,441.3	80,846.6
Water Replacement and Improvement	0.0	0.0	16,235.3	26,507.9	16,235.3	26,507.9
Unrestricted	5,130.5	6,538.3	(13,779.4)	(90,006.3)	(8,648.9)	(83,468.0)
<b>Total Net Assets</b>	<b>\$30,256.1</b>	<b>\$30,602.6</b>	<b>\$49,411.3</b>	<b>\$41,836.3</b>	<b>\$79,667.5</b>	<b>\$72,438.8</b>

\* - As restated. See Note 22 to the basic financial statements.

Total governmental activity assets decreased \$960,513. Equity in pooled cash and cash equivalents for governmental activities decreased \$1,662,784. The decrease in cash and equivalents was due to completion of the City Gate development and a planned reduction of General Fund carryover cash balances to enable debt reduction and capital improvements.

Total assets of the City's business type activities increased \$5,033,487. The largest increases were in Capital Assets (\$78,047,739) with a corresponding decrease in Cash and Cash Equivalents (\$72,604,093) as the City continued construction in progress capital improvement projects (Water Reclamation Facility (wastewater treatment plant), pump station, and transmission lines).

**CITY OF MARYSVILLE  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2008.

Changes in Net Assets  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007 *	2008	2007 *	2008	2007 *
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$1,704.4	\$1,998.4	\$15,559.3	\$16,657.4	\$17,263.7	\$18,655.8
Operating Grants, Contributions, and Interest	1,355.9	1,082.9	8.8	0.0	1,364.7	1,082.9
Capital Grants and Contributions	465.6	447.8	3,612.3	515.2	4,077.9	963.0
General Revenues						
Property Taxes	1,890.0	2,238.1	0.0	0.0	1,890.0	2,238.1
Municipal Income Taxes	8,286.8	8,053.8	0.0	0.0	8,286.8	8,053.8
Payments in Lieu of Taxes	823.1	0.0	1,021.5	0.0	1,844.6	0.0
Grants and Entitlements	702.0	588.9	0.0	0.0	702.0	588.9
Other	892.7	1,296.9	0.0	4,937.4	892.7	6,234.3
Total Revenues	16,120.5	15,706.8	20,201.9	22,110.0	36,322.4	37,816.8
<b>Program Expenses</b>						
General Government	2,802.3	2,520.1	0.0	0.0	2,802.3	2,520.1
Security of Persons and Property						
Police	3,550.3	3,116.8	0.0	0.0	3,550.3	3,116.8
Fire	3,345.9	3,270.8	0.0	0.0	3,345.9	3,270.8
Other	926.8	608.6	0.0	0.0	926.8	608.6
Public Health Services	516.1	524.2	0.0	0.0	516.1	524.2
Leisure Time Activities	340.3	372.6	0.0	0.0	340.3	372.6
Transportation	3,146.7	2,962.3	0.0	0.0	3,146.7	2,962.3
Community Environment	995.3	1,000.6	0.0	0.0	995.3	1,000.6
Interest and Fiscal Charges	843.2	1,459.0	0.0	0.0	843.2	1,459.0
Sanitation	0.0	0.0	1,139.3	1,161.0	1,139.3	1,161.0
Sewer	0.0	0.0	6,766.6	8,795.4	6,766.6	8,795.4
Water	0.0	0.0	4,169.1	4,566.2	4,169.1	4,566.2
Stormwater	0.0	0.0	551.9	373.8	551.9	373.8
Total Expenses	16,466.9	15,835.0	12,626.9	14,896.4	29,093.8	30,731.4
Increase (Decrease) in Net Assets	(346.4)	(128.2)	7,575.0	7,213.6	7,228.6	7,085.4
Net Assets Beginning of Year	30,602.6	30,730.8	41,836.3	34,622.7	72,438.9	65,353.5
Net Assets End of Year	\$30,256.1	\$30,602.6	\$49,411.3	\$41,836.3	\$79,667.5	\$72,438.9

\* - As restated. See Note 22 to the basic financial statements.

**CITY OF MARYSVILLE  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

---

**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 2008 (accrual basis) was approximately \$8.29 million. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 86 percent of all general revenues in the governmental activities, the City monitors each of these revenue sources very closely for fluctuations.

The City has historically experienced an increase in income tax collections of approximately 8 percent per year (cash receipts). On a cash basis, the City's income tax receipts increased approximately \$440,239 (5.59%) between 2008 and 2007. On an accrual basis the City's income tax receipts increased \$232,952 (2.89%) between 2008 and 2007.

Security of persons and property, general government, and transportation are the major activities of the City, comprising approximately 83.63 percent of total governmental 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 18,000. The City also provides wastewater treatment for the Village of Milford Center and several small unincorporated areas outside the City limits. The wastewater treatment plant generated operating revenues of \$7,630,582 and had operating expenses of \$3,500,412. The water plant generated operating revenues of \$6,312,969 and had operating expenses of \$3,286,764. The City's goal is to cover the costs of operations as well as building a cash balance in these funds equivalent to one-third of the department's annual operating budget. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financing sources of \$32,545,125 and expenditures and other financing uses of \$35,153,037.

The General Fund had a net change in fund balance of (\$1,131,100) due primarily to transfers out of \$2,999,061 to primarily finance debt payments and improvements.

The Coleman's Crossing TIF and City Gate TIF funds had net changes in fund balance of \$3,509 and \$456 respectively due to rollovers of Tax Increment Financing notes.

The Debt Service Fund decreased \$772,736 due to transfers from the General Fund to make annual debt payments and the accrual of a Bond Anticipation Note liability paid by the City in 2009 and not refinanced.

The Sewer and Water funds had increases in net assets of \$5,091,946 and \$2,549,796 respectively due primarily to the continued construction costs of a new sanitary sewer plant, trunk interceptor sewer, and transmission lines from the existing plant as well as payments made on the outstanding debt for these capital improvement projects.

**CITY OF MARYSVILLE  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

**General Fund Budgeting Highlights**

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

During the course of 2008, the City amended its General Fund budget numerous times. All recommendations for a budget change come from the City Finance Director to City Council for review and approval. With the General Fund supporting many of the major activities such as the City's police and fire departments, as well as most general government activities, the General Fund is monitored closely to prevent possible revenue shortfalls or overspending by individual departments.

For the General Fund, original and final budgeted revenues were \$15,204,870. Original budgeted expenditures were \$15,964,406 and final budgeted expenditures were \$17,701,187, which were increased primarily to account for needed transfers out.

**Capital Assets and Debt Administration**

**Capital Assets**

Capital Assets at December 31, 2008  
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$1,272.9	\$1,272.9	\$4,142.2	\$4,142.2	\$5,415.1	\$5,415.1
Buildings	1,941.0	1,943.8	5,048.3	5,285.3	6,989.3	7,229.1
Improvements Other than Buildings	964.7	1,049.2	5,128.6	5,285.6	6,093.3	6,334.8
Computers and Computer Equipment	181.0	133.3	6.4	19.3	187.4	152.6
Furniture and Equipment	607.4	442.9	735.6	642.5	1,343.0	1,085.4
Vehicles	1,608.1	1,574.4	699.7	725.5	2,307.8	2,299.9
Infrastructure						
Bridges	116.0	119.9	0.0	0.0	116.0	119.9
Roads	21,524.4	22,045.3	0.0	0.0	21,524.4	22,045.3
Storm Sewer	2,061.2	2,134.5	0.0	0.0	2,061.2	2,134.5
Sewer Lines	0.0	0.0	9,393.7	9,761.8	9,393.7	9,761.8
Water Lines	0.0	0.0	15,681.9	16,018.8	15,681.9	16,018.8
Other	7,077.1	7,285.2	0.0	0.0	7,077.1	7,285.2
Construction in Progress	5,412.8	4,789.9	148,489.3	69,396.8	153,902.1	74,186.7
<b>Totals</b>	<b>\$42,766.6</b>	<b>\$42,791.3</b>	<b>\$189,325.7</b>	<b>\$111,277.9</b>	<b>\$232,092.3</b>	<b>\$154,069.2</b>

**CITY OF MARYSVILLE  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

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

The decrease noted in governmental funds was due primarily to depreciation expense, reduced funding for capital improvements and the completion of construction projects tied to economic development. The increase seen in the business-type activities is due to construction costs for improvements in the sewer and water funds. During 2008 construction continued on a new wastewater treatment facility as well as construction of an up-ground reservoir. The City's new wastewater treatment facility, sewer transmission lines, force main, and pump station are anticipated to be completed and operational by the end of the first quarter 2009 and the reservoir to be completed and operational in 2009 as well. For more information on the City's capital assets, see Note 9 to the basic financial statements.

**Debt**

At December 31, 2008, the City of Marysville had approximately \$203.9 million in bonds, notes, claims, judgments, and compensated absences outstanding, \$15.47 million of which was due within one year.

Outstanding Debt at December 31, 2008  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Notes	\$14,080.0	\$15,030.0	\$28,365.0	\$28,565.0	\$42,445.0	\$43,595.0
General Obligation Bonds	7,550.9	8,022.6	1,934.1	2,334.9	9,485.0	10,357.5
Mortgage Revenue Bonds	0.0	0.0	150,827.4	151,754.4	150,827.4	151,754.4
OPWC Loans	0.0	0.0	49.6	57.5	49.6	57.5
Compensated Absences and Capital Leases	820.9	756.9	244.9	227.2	1,065.8	984.1
<b>Total</b>	<u>\$22,451.8</u>	<u>\$23,809.5</u>	<u>\$181,421.0</u>	<u>\$182,939.0</u>	<u>\$203,872.8</u>	<u>\$206,748.5</u>

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

The general obligation bonds supported by business-type activities were for plant expansion and renovation of the water and sewer utilities. The mortgage revenue bonds were issued primarily for (1) refinancing the purchase of the water treatment plant, vehicles, and related infrastructure from the Ohio Water Company in 1991, (2) refinancing the expansion of the wastewater treatment plant in 1992, (3) infrastructure expansion required by the large annexation of land in 1998, and (4) construction of a Water Reclamation Facility and trunk sewer in 2006 through 2008. These bonds are paid by water and sewer revenues collected from the City's utility customers for provision of water for consumption and wastewater treatment.

The City's legal debt margin was \$22,695,602 at December 31, 2008.

For more information on the City's debt obligations, see Notes 16 and 17 to the basic financial statements.

**CITY OF MARYSVILLE  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

---

**The Future**

The City of Marysville continues to work diligently to increase revenues and decrease costs to put the City on more stable footing. Between 1990 and 2000, the City of Marysville grew from a community of 9,500 to a community approaching 16,000 residents and the growth has continued with current population estimates showing the City in excess of 18,000 residents.

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

The City has worked hard to refinance the debt load and roll short-term notes into favorable interest rate notes. 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](mailto:jmorehart@marysvilleohio.org).

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2008**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$7,932,937	\$42,264,047	\$50,196,984
Cash and Cash Equivalents with Fiscal Agent	-	4,346,411	4,346,411
Property Taxes Receivable	1,595,596	-	1,595,596
Municipal Income Taxes Receivable	1,564,688	-	1,564,688
Accounts Receivable	262,361	1,365,254	1,627,615
Payments in Lieu of Taxes Receivable	970,798	738,508	1,709,306
Special Assessments Receivable	208,605	-	208,605
Interest Receivable	15,116	51,899	67,015
Due from Other Governments	996,279	-	996,279
Prepaid Items	90,091	168,825	258,916
Land	1,272,981	4,142,235	5,415,216
Construction in Progress	5,412,757	148,489,316	153,902,073
Depreciable Capital Assets, Net	36,080,906	36,694,159	72,775,065
<b>Total Assets</b>	<b>56,403,115</b>	<b>238,260,654</b>	<b>294,663,769</b>
<u>Liabilities</u>			
Accrued Wages Payable	167,867	47,965	215,832
Accounts Payable	235,752	222,347	458,099
Contracts Payable	192,725	1,304,616	1,497,341
Due to Other Governments	389,288	55,201	444,489
Accrued Interest Payable	155,375	957,698	1,113,073
Retainage Payable	48,749	4,840,484	4,889,233
Deferred Revenue	2,505,436	-	2,505,436
Notes Payable	800,000	-	800,000
Long-Term Liabilities:			
Due Within One Year	13,157,009	1,511,446	14,668,455
Due in More than One Year	8,494,775	179,909,556	188,404,331
<b>Total Liabilities</b>	<b>26,146,976</b>	<b>188,849,313</b>	<b>214,996,289</b>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	21,116,933	30,514,074	51,631,007
Restricted for:			
Capital Projects	611,540	-	611,540
Debt Service	198,980	-	198,980
Other Purposes	3,198,216	-	3,198,216
Sewer Replacement and Improvement	-	16,441,313	16,441,313
Water Replacement and Improvement	-	16,235,326	16,235,326
Unrestricted	5,130,470	(13,779,372)	(8,648,902)
<b>Total Net Assets</b>	<b>\$30,256,139</b>	<b>\$49,411,341</b>	<b>\$79,667,480</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Revenues				Net (Expense) Revenue and Change in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General Government	\$2,802,315	\$0	\$47,600	\$0	(\$2,754,715)	\$0	(\$2,754,715)
Security of Persons and Property:							
Police	3,550,345	27,436	108,723	-	(3,414,186)	-	(3,414,186)
Fire	3,345,910	726,060	12,090	-	(2,607,760)	-	(2,607,760)
Other	926,801	717,943	68,359	-	(140,499)	-	(140,499)
Public Health Services	516,104	51,108	-	-	(464,996)	-	(464,996)
Leisure Time Activities	340,268	181,849	-	-	(158,419)	-	(158,419)
Transportation	3,146,685	-	1,018,350	-	(2,128,335)	-	(2,128,335)
Community Environment	995,303	-	100,777	465,554	(428,972)	-	(428,972)
Interest and Fiscal Charges	843,246	-	-	-	(843,246)	-	(843,246)
<b>Total Governmental Activities</b>	<b>16,466,977</b>	<b>1,704,396</b>	<b>1,355,899</b>	<b>465,554</b>	<b>(12,941,128)</b>	<b>-</b>	<b>(12,941,128)</b>
<b>Business-Type Activities</b>							
Sanitation	1,139,329	1,122,553	-	-	-	(16,776)	(16,776)
Sewer	6,766,573	7,630,582	-	3,206,397	-	4,070,406	4,070,406
Water	4,169,129	6,312,969	-	405,956	-	2,549,796	2,549,796
Stormwater Assessment	551,882	493,176	8,787	-	-	(49,919)	(49,919)
<b>Total Business-Type Activities</b>	<b>12,626,913</b>	<b>15,559,280</b>	<b>8,787</b>	<b>3,612,353</b>	<b>-</b>	<b>6,553,507</b>	<b>6,553,507</b>
<b>Total</b>	<b>29,093,890</b>	<b>17,263,676</b>	<b>1,364,686</b>	<b>4,077,907</b>	<b>(12,941,128)</b>	<b>6,553,507</b>	<b>(6,387,621)</b>
<b>General Revenues</b>							
Property Taxes Levied For:							
General Purposes					1,640,014	-	1,640,014
Police Pension					124,984	-	124,984
Fire Pension					124,984	-	124,984
Payments in Lieu of Taxes					823,062	1,021,540	1,844,602
Other Local Taxes					159,316	-	159,316
Municipal Income Taxes					8,286,787	-	8,286,787
Grants and Entitlements not Restricted to Specific Programs					701,953	-	701,953
Interest					376,615	-	376,615
Other Revenues					356,990	-	356,990
<b>Total General Revenues</b>					<b>12,594,705</b>	<b>1,021,540</b>	<b>13,616,245</b>
Change in Net Assets					(346,423)	7,575,047	7,228,624
Net Assets Beginning of Year - As Restated					30,602,562	41,836,294	72,438,856
Net Assets End of Year					<b>\$30,256,139</b>	<b>\$49,411,341</b>	<b>\$79,667,480</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2008**

	General Fund	Coleman's Crossing TIF Fund	City Gate TIF Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$4,384,738	\$17,027	\$456	\$146,847	\$3,383,869	\$7,932,937
Receivables:						
Property Taxes	1,382,816	-	-	-	212,780	1,595,596
Municipal Income Taxes	1,564,688	-	-	-	-	1,564,688
Accounts	44,234	-	-	-	218,127	262,361
Payments in Lieu of Taxes	-	663,071	307,727	-	-	970,798
Special Assessments	1,097	-	-	207,508	-	208,605
Interest	14,958	-	-	-	158	15,116
Interfund	127,422	-	-	-	-	127,422
Due from Other Governments	374,879	-	-	-	621,400	996,279
Prepaid Items	72,067	-	-	-	18,024	90,091
<b>Total Assets</b>	<b>7,966,899</b>	<b>680,098</b>	<b>308,183</b>	<b>354,355</b>	<b>4,454,358</b>	<b>13,763,893</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts Payable	108,666	-	-	-	127,086	235,752
Contracts Payable	-	-	-	-	192,725	192,725
Retainage Payable	-	-	-	-	48,749	48,749
Accrued Wages Payable	155,473	-	-	-	12,394	167,867
Due to Other Governments	374,250	-	-	-	15,038	389,288
Interfund Payable	-	-	-	-	127,422	127,422
*	-	-	-	800,000	-	800,000
Deferred Revenue	2,314,788	663,071	307,727	207,508	695,817	4,188,911
<b>Total Liabilities</b>	<b>2,953,177</b>	<b>663,071</b>	<b>307,727</b>	<b>1,007,508</b>	<b>1,219,231</b>	<b>6,150,714</b>
<b>Fund Balance</b>						
Reserved for Encumbrances	381,782	-	-	8,000	573,963	963,745
Unreserved, Reported in:						
General Fund	4,631,940	-	-	-	-	4,631,940
Special Revenue Funds	-	17,027	456	-	2,433,006	2,450,489
Debt Service Fund	-	-	-	(661,153)	-	(661,153)
Capital Projects Funds	-	-	-	-	228,158	228,158
<b>Total Fund Balance</b>	<b>5,013,722</b>	<b>17,027</b>	<b>456</b>	<b>(653,153)</b>	<b>3,235,127</b>	<b>7,613,179</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$7,966,899</b>	<b>\$680,098</b>	<b>\$308,183</b>	<b>\$354,355</b>	<b>\$4,454,358</b>	<b>\$13,763,893</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008**

Total Governmental Fund Balance	\$7,613,179
---------------------------------	-------------

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	42,766,644
--	------------

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

Property Taxes	61,906	
Municipal Income Taxes	701,304	
Charges for Services	134,670	
Special Assessments	207,508	
Intergovernmental Revenue	571,787	
Misc. Revenue	6,300	
Total		1,683,475

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	(155,375)	
Notes Payable	(13,280,000)	
Compensated Absences Payable	(802,073)	
Capital Leases Payable	(18,808)	
General Obligation Bonds Payable	(7,550,903)	
Total		(21,807,159)

Net Assets of Governmental Activities	\$30,256,139
---------------------------------------	--------------

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General Fund	Coleman's Crossing TIF Fund	City Gate TIF Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$1,643,908	\$0	\$0	\$0	\$250,568	\$1,894,476
Other Local Taxes	159,316	-	-	-	-	159,316
Municipal Income Taxes	8,358,849	-	-	-	-	8,358,849
Payments in Lieu of Taxes	-	560,548	262,483	-	-	823,031
Special Assessments	-	-	-	20,618	-	20,618
Charges for Services	534,669	-	-	-	383,153	917,822
Fees, Licenses, and Permits	297,536	-	-	-	65,375	362,911
Fines and Forfeitures	428,218	-	-	-	174,610	602,828
Intergovernmental	915,325	-	-	-	1,556,938	2,472,263
Interest	373,885	-	-	-	2,730	376,615
Other Revenues	58,334	-	-	-	15,295	73,629
<b>Total Revenues</b>	<b>12,770,040</b>	<b>560,548</b>	<b>262,483</b>	<b>20,618</b>	<b>2,448,669</b>	<b>16,062,358</b>
<b>Expenditures</b>						
<b>Current:</b>						
General Government	2,386,491	-	-	6,957	115,061	2,508,509
Security of Persons and Property:						
Police	3,225,631	-	-	-	161,587	3,387,218
Fire	2,892,267	-	-	-	517,784	3,410,051
Other	650,704	-	-	-	43,625	694,329
Leisure Time Activities	263,906	-	-	-	-	263,906
Transportation	-	-	-	-	1,394,077	1,394,077
Public Health Services	488,671	-	-	-	210	488,881
Community Environment	506,705	182,458	85,438	-	194,411	969,012
Capital Outlay	479,994	-	-	-	1,954,016	2,434,010
Debt Service:						
Principal Retirement	14,363	7,005,000	5,225,000	3,250,000	-	15,494,363
Interest and Fiscal Charges	1,384	329,695	180,304	469,237	-	980,620
<b>Total Expenditures</b>	<b>10,910,116</b>	<b>7,517,153</b>	<b>5,490,742</b>	<b>3,726,194</b>	<b>4,380,771</b>	<b>32,024,976</b>
Excess of Revenues Over (Under) Expenditures	1,859,924	(6,956,605)	(5,228,259)	(3,705,576)	(1,932,102)	(15,962,618)
<b>Other Financing Sources (Uses)</b>						
Bond Anticipation Notes Issued	-	7,005,000	5,075,000	1,200,000	-	13,280,000
Proceeds from Sale of Fixed Assets	8,037	-	-	-	-	8,037
Premium on Issuance of Bond Anticipation Notes	-	34,114	24,715	7,840	-	66,669
Transfers In	-	-	129,000	1,725,000	1,274,061	3,128,061
Transfers Out	(2,999,061)	(79,000)	-	-	(50,000)	(3,128,061)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,991,024)</b>	<b>6,960,114</b>	<b>5,228,715</b>	<b>2,932,840</b>	<b>1,224,061</b>	<b>13,354,706</b>
Net Change in Fund Balance	(1,131,100)	3,509	456	(772,736)	(708,041)	(2,607,912)
Fund Balance Beginning of Year	6,144,822	13,518	-	119,583	3,943,168	10,221,091
Fund Balance End of Year	<u>\$5,013,722</u>	<u>\$17,027</u>	<u>\$456</u>	<u>(\$653,153)</u>	<u>\$3,235,127</u>	<u>\$7,613,179</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net Change in Fund Balance - Total Governmental Funds (\$1,807,912)

*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. (2,384)

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 (22,342)

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

Intergovernmental Receivable	(37,964)	
Municipal Income Taxes Receivable	(72,062)	
Property Taxes Receivable	(4,494)	
Charges for Services	134,670	
Miscellaneous Revenue	6,300	
Special Assessments Receivable	<u>(20,618)</u>	
		5,832

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. 15,494,363

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities in the statement of activities. (13,280,000)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 122,655

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

    Bond Premium 21,706

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 (78,341)

Change in Net Assets of Governmental Activities \$453,577

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,712,211	\$1,712,211	\$1,643,908	(\$68,303)
Other Local Taxes	115,000	115,000	166,596	51,596
Municipal Income Taxes	8,032,839	8,032,839	8,317,558	284,719
Charges for Services	1,930,593	1,930,593	1,508,957	(421,636)
Fees, Licenses, and Permits	284,600	284,600	296,513	11,913
Fines and Forfeitures	476,500	476,500	464,144	(12,356)
Intergovernmental	1,879,877	1,879,877	900,189	(979,688)
Interest	700,250	700,250	441,166	(259,084)
Contributions and Donations	23,000	23,000	16,963	(6,037)
Other Revenues	50,000	50,000	31,862	(18,138)
<b>Total Revenues</b>	<b>15,204,870</b>	<b>15,204,870</b>	<b>13,787,856</b>	<b>(1,417,014)</b>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	4,309,462	4,714,278	4,156,796	557,482
Security of Persons and Property:				
Police	3,101,088	3,302,505	3,036,712	265,793
Fire	3,147,693	3,280,988	3,077,213	203,775
Other	616,825	662,687	586,100	76,587
Leisure Time Activities	333,605	334,458	270,590	63,868
Community Environment	1,441,199	1,476,858	625,814	851,044
Public Health Services	627,534	718,413	544,979	173,434
<b>Total Expenditures</b>	<b>13,577,406</b>	<b>14,490,187</b>	<b>12,298,204</b>	<b>2,191,983</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,627,464</b>	<b>714,683</b>	<b>1,489,652</b>	<b>774,969</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds on Sale of Fixed Assets	-	-	8,037	8,037
Transfers Out	(2,387,000)	(3,211,000)	(3,126,483)	84,517
<b>Total Other Financing Sources (Uses)</b>	<b>(2,387,000)</b>	<b>(3,211,000)</b>	<b>(3,118,446)</b>	<b>92,554</b>
<b>Net Change in Fund Balance</b>	<b>(759,536)</b>	<b>(2,496,317)</b>	<b>(1,628,794)</b>	<b>867,523</b>
Fund Balance Beginning of Year	4,778,784	4,778,784	4,778,784	-
Prior Year Encumbrances Appropriated	756,519	756,519	756,519	-
<b>Fund Balance End of Year</b>	<b>\$4,775,767</b>	<b>\$3,038,986</b>	<b>\$3,906,509</b>	<b>\$867,523</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Payments in Lieu of Taxes	\$658,500	\$658,500	\$560,548	(\$97,952)
Total Revenues	<u>658,500</u>	<u>658,500</u>	<u>560,548</u>	<u>(97,952)</u>
<u>Expenditures</u>				
Debt Service:				
Other Debt Service	226,000	226,000	182,458	43,542
Principal Retirement	7,005,000	7,005,000	7,005,000	-
Interest and Fiscal Charges	297,000	297,000	296,886	114
Total Expenditures	<u>7,528,000</u>	<u>7,528,000</u>	<u>7,484,344</u>	<u>43,656</u>
Excess of Revenues Under Expenditures	<u>(6,869,500)</u>	<u>(6,869,500)</u>	<u>(6,923,796)</u>	<u>(54,296)</u>
<u>Other Financing Sources (Uses)</u>				
Bond Anticipation Notes Issued	6,950,000	6,950,000	7,006,305	56,305
Transfers Out	(79,000)	(79,000)	(79,000)	-
Total Other Financing Sources (Uses)	<u>6,871,000</u>	<u>6,871,000</u>	<u>6,927,305</u>	<u>56,305</u>
Net Change in Fund Balance	1,500	1,500	3,509	2,009
Fund Balance Beginning of Year	<u>13,518</u>	<u>13,518</u>	<u>13,518</u>	<u>-</u>
Fund Balance End of Year	<u>\$15,018</u>	<u>\$15,018</u>	<u>\$17,027</u>	<u>\$2,009</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
CITY GATE TIF FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Payments in Lieu of Taxes	\$0	\$262,483	\$262,483	\$0
Total Revenues	-	262,483	262,483	-
<u>Expenditures</u>				
Debt Service:				
Other Debt Service	-	85,500	85,438	62
Principal Retirement	5,214,500	5,225,000	5,225,000	-
Interest and Fiscal Charges	250,000	250,000	155,589	94,411
Total Expenditures	5,464,500	5,560,500	5,466,027	94,473
Excess of Revenues Under Expenditures	(5,464,500)	(5,298,017)	(5,203,544)	94,473
<u>Other Financing Sources</u>				
Bond Anticipation Notes Issued	5,464,500	5,464,500	5,075,000	(389,500)
Transfers In	-	-	129,000	129,000
Total Other Financing Sources	5,464,500	5,464,500	5,204,000	(260,500)
Net Change in Fund Balance	-	166,483	456	(166,027)
Fund Balance Beginning of Year	-	-	-	-
Fund Balance End of Year	\$0	\$166,483	\$456	(\$166,027)

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2008**

	Sewer	Water	Other Enterprise Funds	Total
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,981,580	\$5,681,368	\$924,460	\$9,587,408
Accounts Receivable	679,008	545,496	140,750	1,365,254
Payments In Lieu of Taxes Receivable	738,508	-	-	738,508
Accrued Interest	44,646	7,253	-	51,899
Prepaid Items	62,747	103,199	2,879	168,825
<b>Total Current Assets</b>	<b>4,506,489</b>	<b>6,337,316</b>	<b>1,068,089</b>	<b>11,911,894</b>
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	16,441,313	16,235,326	-	32,676,639
Cash and Cash Equivalents with Fiscal Agents	4,036,138	310,273	-	4,346,411
<b>Total Restricted Assets</b>	<b>20,477,451</b>	<b>16,545,599</b>	<b>-</b>	<b>37,023,050</b>
<u>Non-Current Assets</u>				
Land	2,479,735	1,662,500	-	4,142,235
Construction in Progress	134,297,424	14,191,892	-	148,489,316
Depreciable Capital Assets, Net	17,478,293	18,717,924	497,942	36,694,159
<b>Total Non-Current Assets</b>	<b>154,255,452</b>	<b>34,572,316</b>	<b>497,942</b>	<b>189,325,710</b>
<b>Total Assets</b>	<b>179,239,392</b>	<b>57,455,231</b>	<b>1,566,031</b>	<b>238,260,654</b>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	21,873	20,546	5,546	47,965
Accounts Payable	108,835	93,840	19,672	222,347
Contracts Payable	1,183,854	120,762	-	1,304,616
Due to Other Governments	24,391	23,356	7,454	55,201
Retainage Payable	4,220,062	620,422	-	4,840,484
Accrued Interest Payable	802,051	155,647	-	957,698
Capital Leases Payable	271	-	-	271
Compensated Absences Payable	57,926	57,742	9,838	125,506
Ohio Public Works Commission Loan Payable	7,927	-	-	7,927
General Obligation Bonds Payable	209,433	201,382	-	410,815
Mortgage Revenue Bonds Payable	309,489	657,438	-	966,927
<b>Total Current Liabilities</b>	<b>6,946,112</b>	<b>1,951,135</b>	<b>42,510</b>	<b>8,939,757</b>
<u>Non-Current Liabilities</u>				
Notes Payable	26,593,650	1,771,350	-	28,365,000
Compensated Absences Payable	51,514	63,392	4,233	119,139
Ohio Public Works Commission Loans Payable	41,639	-	-	41,639
General Obligation Bonds Payable	563,223	960,039	-	1,523,262
Mortgage Revenue Bonds Payable	119,047,703	30,812,813	-	149,860,516
<b>Total Non-Current Liabilities</b>	<b>146,297,729</b>	<b>33,607,594</b>	<b>4,233</b>	<b>179,909,556</b>
<b>Total Liabilities</b>	<b>153,243,841</b>	<b>35,558,729</b>	<b>46,743</b>	<b>188,849,313</b>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	19,888,100	10,128,032	497,942	30,514,074
Restricted for:				
Sewer Replacement and Improvement	16,441,313	-	-	16,441,313
Water Replacement and Improvement	-	16,235,326	-	16,235,326
Unrestricted (Deficit)	(10,333,862)	(4,466,856)	1,021,346	(13,779,372)
<b>Total Net Assets</b>	<b>\$25,995,551</b>	<b>\$21,896,502</b>	<b>\$1,519,288</b>	<b>\$49,411,341</b>

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Sewer	Water	Other Enterprise Funds	Total
<u>Operating Revenues</u>				
Charges for Services	\$6,892,709	\$5,616,399	\$1,593,913	\$14,103,021
Tap-In Fees	706,531	627,217	-	1,333,748
Other Revenues	31,342	69,353	30,603	131,298
Total Operating Revenues	<u>7,630,582</u>	<u>6,312,969</u>	<u>1,624,516</u>	<u>15,568,067</u>
<u>Operating Expenses</u>				
Personal Services	1,213,372	1,182,708	423,303	2,819,383
Contractual Services	923,495	562,597	956,699	2,442,791
Materials and Supplies	486,290	723,013	159,143	1,368,446
Other Expenses	98,126	68,369	74,603	241,098
Depreciation	779,129	750,077	77,463	1,606,669
Total Operating Expenses	<u>3,500,412</u>	<u>3,286,764</u>	<u>1,691,211</u>	<u>8,478,387</u>
Operating Income / (Loss)	<u>4,130,170</u>	<u>3,026,205</u>	<u>(66,695)</u>	<u>7,089,680</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue	3,206,397	405,956	-	3,612,353
Payments in Lieu of Taxes	1,021,540	-	-	1,021,540
Interest Expense	(3,266,161)	(882,365)	-	(4,148,526)
Total Non-Operating Revenues (Expenses)	<u>961,776</u>	<u>(476,409)</u>	<u>-</u>	<u>485,367</u>
Change in Net Assets	5,091,946	2,549,796	(66,695)	7,575,047
Net Assets Beginning of Year - As Restated	<u>20,903,605</u>	<u>19,346,706</u>	<u>1,585,983</u>	<u>41,836,294</u>
Net Assets End of Year	<u><u>\$25,995,551</u></u>	<u><u>\$21,896,502</u></u>	<u><u>\$1,519,288</u></u>	<u><u>\$49,411,341</u></u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE  
UNION COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Sewer	Water	Other Enterprise Funds	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$7,316,242	\$5,897,132	\$1,610,831	\$14,824,205
Cash Received from Tap-In Fees	706,531	627,217	0	1,333,748
Cash Received from Other Revenues	31,341	73,107	30,603	135,051
Cash Payments for Personal Services	(1,192,161)	(1,162,014)	(428,262)	(2,782,437)
Cash Payments to Suppliers	(1,418,388)	(1,379,223)	(1,179,910)	(3,977,521)
Cash Payments for Other Expenses	(98,127)	(76,676)	(74,603)	(249,406)
Net Cash Provided by (Used for) Operating Activities	<u>5,345,438</u>	<u>3,979,543</u>	<u>(41,341)</u>	<u>9,283,640</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on General Obligation Bonds	(181,000)	(219,000)	0	(400,000)
Interest Paid on General Obligation Bonds	(33,412)	(40,427)	0	(73,839)
Principal Paid on Mortgage Revenue Bonds	(230,000)	(625,000)	0	(855,000)
Interest Paid on Mortgage Revenue Bonds	(5,576,245)	(1,530,118)	0	(7,106,363)
Principal Paid on Bond Anticipation Notes	(26,700,230)	(1,864,770)	0	(28,565,000)
Interest Paid on Bond Anticipation Notes	(1,074,951)	(83,681)	0	(1,158,632)
Principal Paid on OPWC Loans	(7,927)	0	0	(7,927)
Principal Paid on Capital Leases	(3,298)	(329)	0	(3,627)
Interest Paid on Capital Leases	(271)	(17)	0	(288)
Bond Anticipation Notes Issued	26,593,650	1,771,350	0	28,365,000
Premium on Issuance of Debt	142,837	9,778	0	152,615
Debt Issuance Costs	(128,162)	(12,388)	0	(140,550)
Proceeds From Sale of Fixed Assets	0	2,056	0	2,056
Acquisition of Fixed Assets	(64,521,925)	(11,874,736)	(85,696)	(76,482,357)
Cash Received from Payments in Lieu of Taxes	283,032	0	0	283,032
Net Cash Used for Capital and Related Financing Activities	<u>(71,437,902)</u>	<u>(14,467,282)</u>	<u>(85,696)</u>	<u>(85,990,880)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	3,630,542	472,605	0	4,103,147
Net Cash Provided by Investing Activities	<u>3,630,542</u>	<u>472,605</u>	<u>0</u>	<u>4,103,147</u>
Net Decrease in Cash and Cash Equivalents	(62,461,922)	(10,015,134)	(127,037)	(72,604,093)
Cash and Cash Equivalents Beginning of Year - As Restated	85,920,953	32,242,101	1,051,497	119,214,551
Cash and Cash Equivalents End of Year	<u>\$23,459,031</u>	<u>\$22,226,967</u>	<u>\$924,460</u>	<u>\$46,610,458</u>
<u>Reconciliation of Operating Income / (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating Income / (Loss)	\$4,130,170	\$3,026,205	(\$66,695)	\$7,089,680
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	779,129	750,077	77,463	1,606,669
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	423,533	280,654	16,918	721,105
(Increase) Decrease in Prepaid Items	(7,506)	(55,949)	313	(63,142)
Increase (Decrease) in Accounts Payable	(1,097)	(42,138)	(64,039)	(107,274)
Increase (Decrease) in Contracts Payable	0	0	(342)	(342)
Increase (Decrease) in Retainage Payable	0	0	0	0
Increase (Decrease) in Accrued Wages Payable	4,510	3,897	(35)	8,372
Increase (Decrease) in Due to Other Governments	2,731	3,570	893	7,194
Increase (Decrease) in Compensated Absences Payable	13,968	13,227	(5,817)	21,378
Net Cash Provided by (Used for) Operating Activities	<u>\$5,345,438</u>	<u>\$3,979,543</u>	<u>(\$41,341)</u>	<u>\$9,283,640</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF MARYSVILLE  
UNION COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2008

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$20,144
Cash and Cash Equivalents in Segregated Accounts	<u>151,330</u>
Total Assets	<u><u>171,474</u></u>
<u>Liabilities:</u>	
Undistributed Assets	<u>171,474</u>
Total Liabilities	<u><u>\$171,474</u></u>

See Accompanying Notes to the Basic Financial Statements

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

---

**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 most recently updated on November 7, 2006. 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 2008.

The City is associated with the Marysville/Union County Joint Recreation District, the Union County Community Improvement Corporation, the Mid-Ohio Regional Planning Commission and the Marysville/Union County Port Authority; each is a jointly governed organization. These organizations are more fully described in Note 19 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.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

A. Basis of Presentation (Continued)

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.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

**B. Fund Accounting (Continued)**

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 payments in lieu of 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.

City Gate TIF Fund - The City Gate TIF Fund is a special revenue fund used to account for the debt proceeds used for and the payments in lieu of tax receipts realized by the development of the City Gate area. These proceeds will be utilized to repay the debt issued for completion of this project.

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

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

**Proprietary Funds**

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

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

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

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

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

**Fiduciary Funds**

Fiduciary funds focus on net assets and changes in net assets. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2008. 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.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

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.

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 fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes, municipal income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes and payments in lieu of taxes are 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.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-Exchange Transactions (Continued)

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.

Deferred Revenues

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

Property taxes and payments in lieu of taxes for which there was an enforceable legal claim at December 31, 2008, but were levied to finance 2009 operations, have been recorded as deferred revenue. Municipal income taxes and 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.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

E. Budgets (Continued)

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 2008.

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".

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

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

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, 2008.

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 2008 was \$373,885, which includes \$322,515 assigned from other City funds.

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, 2008, 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. Restricted assets also represent cash held as retainage for contractors.

**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.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

I. Capital Assets (Continued)

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

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

<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

J. Inter-fund Receivables/Payables

On the 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 was one outstanding inter-fund receivable/payable at December 31, 2008 for monies advanced from the General Fund to the Collins Avenue Pavement Project Fund (an other-governmental fund) in anticipation of Community Development Block Grant receipts. Once these grant monies are received in 2009, the monies advanced from the General Fund will be returned by the Collins Avenue Pavement Project Fund.

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.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

K. Compensated Absences (Continued)

On the 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, contractually required pension contributions and 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.

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.

Of the City's restricted net assets of \$36,685,375, \$4,008,736 was restricted by enabling legislation.

O. Operating Revenues and Expenses

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

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

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

**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 2008.

**S. Estimates**

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

**NOTE 3 - 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 Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General 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 is 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  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

The adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and major Special Revenue Funds are as follows:

	Net Changes in Fund Balance		
	General Fund	Coleman's Crossing TIF Fund	City Gate TIF Fund
GAAP Basis	(\$1,131,000)	\$3,509	\$456
<u>Increases (Decreases) Due To</u>			
Revenue Accruals	1,017,816	0	0
Expenditure Accruals	(1,031,802)	0	0
Encumbrances Outstanding At Year-End (Budget Basis)	(483,708)	0	0
Budget Basis	(\$1,628,794)	\$3,509	\$456

**NOTE 4 - 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;

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

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 \$4,437 in undeposited cash on hand which is included on the statement of net assets as part of "Equity in Pooled Cash and Cash Equivalents".

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS** (Continued)

Deposits

At year-end, the carrying amount of the City's deposits was \$11,984,729 and the bank balance was \$13,519,013. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining balance of \$13,319,013 was collateralized with securities held in single financial institution collateral pools in the name of the respective depository bank and pledged as a pool of collateral against all of the public moneys it holds.

Investments

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

	Carrying/Fair Value	Weighted Average Maturity (Years)
Mutual Funds	12,855,670	N/A
Negotiable Certificates of Deposit	1,128,095	<1 year
Negotiable Certificates of Deposit	198,277	1-3 years
Federal Home Loan Bank	2,103,280	1-3 years
Federal Farm Credit Bank	764,923	1-3 years
Federal Home Loan Mortgage Corporation	500,000	<1 year
Federal Home Loan Mortgage Corporation	2,344,539	1-3 years
Federal Home Loan Mortgage Corporation	999,360	>3 years
Federal National Mortgage Association	1,046,780	<1 year
Federal National Mortgage Association	6,298,127	1-3 years
First American Government Obligation Fund	1,110,889	<1 year
STAR Ohio	12,235,782	N/A
Total	<b>\$41,585,722</b>	

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

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 mutual funds, negotiable CD's, U.S. Government Agency Securities and STAR Ohio. Investments in U.S. Government Agency Securities and negotiable certificates of deposit were rated AAA by Standard and Poor's. Investments in STAR Ohio were rated AAAM by Standard & Poor's. Mutual funds were not rated.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

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 36.5% of its investments in U.S. Government Securities, 30.9% in mutual funds, 29.4% in STAR Ohio, and 3.2% in negotiable certificates of deposit.

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

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

**NOTE 5 - 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 2008 represent the collection of 2007 taxes. For 2008, real property taxes were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. These taxes will be collected in and are intended to finance 2009 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 2007. 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 2008 were levied after October 1, 2008, on the assessed values as of December 31, 2007. These taxes will be collected in and are intended to finance 2009 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 2008 (other than public utility property) represent the collection of 2008 taxes. For 2008, tangible personal property taxes were levied after October 1, 2007, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Marysville. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2008, 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 2008 operations.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 5 - PROPERTY TAXES (Continued)**

The full tax rate for all City operations for the year ended December 31, 2008, was \$4.50 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Agricultural/Residential	\$ 273,408,780
Commercial/Industrial	114,671,280
Public Utility Real	30,440
Public Utility Personal	8,459,020
Tangible Personal	16,077,780
Total Assessed Value	<u>\$ 412,647,300</u>

**NOTE 6 - 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 7 - RECEIVABLES**

Receivables at December 31, 2008, consisted of interest; taxes; payments in lieu of taxes, accounts (billings for user charged services, including unbilled utility services); special assessments; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 7 – RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
State of Ohio – Homestead and Rollback	\$70,801
Local Government Assistance	200,285
Estate Tax/Liquor Permits	23,098
Marysville Schools – School Resource Officer	17,095
Union County and Marysville Municipal Court - Fines and Forfeitures	39,182
Union County Law Library	10,650
Ohio Bureau of Worker’s Compensation – Safety Reimbursement	2,062
City of Marysville - FSA Reimbursement	1,224
Community Development Block Grant - Formula Grant	10,482
Total General Fund	374,879
Nonmajor Special Revenue Funds	
Police Pension – State of Ohio	
State of Ohio	5,473
Fire Pension	
State of Ohio	5,473
FEMA Fund	
FEMA Reimbursement	58,180
Street Construction and Repair	
Gas Tax	220,149
Motor Vehicle License Tax	207,354
Mandatory Drug Fine	
Marysville Municipal Court/Union County	600
DUI Alcohol Education and Enforcement	
Marysville Municipal Court/Union County	228
State Highway Improvement	
Gas Tax	18,544
Motor Vehicle License Tax	16,812
Court Computer Research	
Marysville Municipal Court/Union County	2,186
Court Computerization	
Marysville Municipal Court/Union County	2,187
Court Special Projects	
Marysville Municipal Court/Union County	4,355
Court Probation Fine	
Marysville Municipal Court/Union County	2,224
CHIP Grant Fund	
State of Ohio – CHIP Grant Proceeds	77,085

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 7 – RECEIVABLES (Continued)**

Municipal Court Local Interlock	
Marysville Municipal Court/Union County	550
Total Nonmajor Special Revenue Funds	621,400
Total Governmental Activities	\$996,279
Total All Funds	\$996,279

**NOTE 8 – INTER-FUND TRANSFERS**

Inter-fund transfers for the year ended December 31, 2008 consisted of the following:

		Transfer From		
		General Fund	Coleman's Crossing TIF Fund	Other Governmental Funds
Transfer To	City Gate TIF Fund	\$0	\$79,000	\$50,000
	Debt Service	1,725,000	0	0
	Other Governmental Funds	1,274,061	0	0
	Total	\$2,999,061	\$79,000	\$50,000

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

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance at 12/31/2007	Additions	Reductions	Balance at 12/31/2008
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$1,272,981	\$0	\$0	\$1,272,981
Construction in Progress	4,789,882	1,501,855	(878,980)	5,412,757
Subtotal	<u>6,062,863</u>	<u>1,501,855</u>	<u>(878,980)</u>	<u>6,685,738</u>
<b>Depreciable Capital Assets</b>				
Buildings	3,554,033	96,801	0	3,650,834
Improvements Other Than Buildings	2,091,963	33,692	0	2,125,655
Computers and Computer Equipment	251,476	99,043	(24,487)	326,032
Furniture and Equipment	1,064,746	296,566	(49,279)	1,312,033
Vehicles	3,352,321	311,737	0	3,664,058
Infrastructure				
Bridges	157,288	0	0	157,288
Roads	65,144,422	1,033,268	0	66,177,690
Storm Sewers	2,932,297	0	0	2,932,297
Other	8,022,722	0	0	8,022,722
Subtotal	<u>86,571,268</u>	<u>1,871,107</u>	<u>(73,766)</u>	<u>88,368,609</u>
<b>Less: Accumulated Depreciation</b>				
Buildings	(1,610,280)	(99,605)	0	(1,709,885)
Improvements Other Than Buildings	(1,042,797)	(118,166)	0	(1,160,963)
Computers and Computer Equipment	(118,169)	(48,779)	21,940	(145,008)
Furniture and Equipment	(621,842)	(112,296)	29,484	(704,654)
Vehicles	(1,777,940)	(278,011)	0	(2,055,951)
Infrastructure				
Bridges	(37,355)	(3,932)	0	(41,287)
Roads	(43,099,118)	(1,554,126)	0	(44,653,244)
Storm Sewers	(797,755)	(73,307)	0	(871,062)
Other	(737,535)	(208,114)	0	(945,649)
Total Accumulated Depreciation	<u>(49,842,791)</u>	<u>(2,496,336)</u>	<u>51,424</u>	<u>(52,287,703)</u>
Total Depreciable Capital Assets, Net	<u>36,728,477</u>	<u>(625,229)</u>	<u>(22,342)</u>	<u>36,080,906</u>
Governmental Activities Capital Assets, Net	<u>\$42,791,340</u>	<u>\$876,626</u>	<u>(\$901,322)</u>	<u>\$42,766,644</u>

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 9 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental programs as follows:

General Government	\$305,579
Security of Persons and Property	
Police	115,255
Fire	133,764
Other	9,750
Public Health	19,679
Transportation	1,810,045
Community Environment	25,777
Leisure Time Activities	76,487
Total Depreciation Expense	\$2,496,336

	Balance at 12/31/2007	Additions	Reductions	Balance at 12/31/2008
<b>Business-Type Activities</b>				
Land	\$4,142,235	\$0	\$0	\$4,142,235
Construction in Progress	69,396,849	79,092,467	0	148,489,316
Subtotal	73,539,084	79,092,467	0	152,631,551
<b>Depreciable Capital Assets</b>				
Buildings	9,757,973	0	0	9,757,973
Improvements Other Than Buildings	5,607,501	0	0	5,607,501
Computers and Computer Equipment	113,571	0	0	113,571
Furniture and Equipment	1,198,991	206,412	(1,594)	1,403,809
Vehicles	1,364,536	104,725	(35,845)	1,433,416
Infrastructure				
Sewer Lines	15,015,983	0	0	15,015,983
Water Lines	23,618,135	256,769	0	23,874,904
Subtotal	56,676,690	567,906	(37,439)	57,207,157
<b>Less: Accumulated Depreciation</b>				
Buildings	(4,472,705)	(236,888)	0	(4,709,593)
Improvements Other Than Buildings	(321,938)	(156,961)	0	(478,899)
Computers and Computer Equipment	(94,302)	(12,900)	0	(107,202)
Furniture and Equipment	(556,454)	(113,326)	1,528	(668,252)
Vehicles	(638,989)	(124,795)	30,035	(733,749)
Infrastructure				
Sewer Lines	(5,254,147)	(368,135)	0	(5,622,282)
Water Lines	(7,599,358)	(593,663)	0	(8,193,021)
Total Accumulated Depreciation	(18,937,893)	(1,606,668)	31,563	(20,512,998)
<b>Total Depreciable Capital Assets, Net</b>	37,738,797	(1,038,762)	(5,876)	36,694,159
<b>Business-Type Activities Capital Assets, Net</b>	\$111,277,881	\$78,053,705	(\$5,876)	\$189,325,710

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 9 - CAPITAL ASSETS (Continued)**

In accordance with Financial Accounting Standards Board Statement No. 62, the City capitalizes the net effect of interest expense and related interest revenue on the portion of the tax-exempt debt issued from the Sewer and Water Funds. Interest costs in fiscal year 2008 were \$5,683,597 for the Sewer Fund and \$1,105,059 for the Water Fund, of which \$3,096,479 and \$754,317 respectively, has been capitalized. Interest costs not capitalized are expensed.

**NOTE 10 - RESTRICTED NET 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	\$3,548,199	\$32,676,639
Cash and Cash Equivalents with Fiscal Agent	0	4,346,411
Accounts Receivable	218,127	0
Due From Other Governments	621,400	0
Accrued Interest	158	0
Prepaid Items	18,024	0
Property Taxes Receivable	212,780	0
Special Assessments Receivable	1,178,306	0
Total Restricted Assets	<u>5,796,994</u>	<u>37,023,050</u>
Less Liabilities Payable from Restricted Assets	<u>1,788,258</u>	<u>4,346,411</u>
Restricted Net Assets	<u><u>\$4,008,736</u></u>	<u><u>\$32,676,639</u></u>

**NOTE 11 - 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 2008, the City contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage Limit</u>	<u>Deductible</u>
Buildings	\$ 23,541,842	\$ 5,000
Personal Property	3,857,487	5,000
Employee Benefit Liability	1,000,000	1,000
Wrongful Acts	3,000,000	1,000
Law Enforcement	3,000,000	2,000
Automobile Liability	3,000,000	-
Medical Malpractice	3,000,000	-
Stop Gap	3,000,000	-
Appeal/Bail/Property Release Bonds	Unlimited	-
Electronic Data Processing	25,000 – 263,899	500
Pollution Liability Benefits	55,000 – 3,000,000	-

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  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 12 - CONTRACTUAL COMMITMENTS**

At December 31, 2008, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
AT Grade	Wading Pool Replacement Design Bid	\$ 104,200
Beaver Excavating Company	Upground Reservoir Improvements	438,668
Chemco Systems LP	Lime Slaker	99,404
Columbus Construction	CHIP Construction Grants	34,397
CT Consultants	Road Widening	130,420
CT Consultants	Waterline Project	59,958
Delaware Developers	CHIP Construction Grants	15,770
Delta Construction	CHIP Construction Grants	35,555
DLZ	Engineering Services – Trunk Sewer, Pump Station Elimination, South-West Trunk Sewer	2,554,841
East Manufacturing	Dump Bed Trailer	98,769
Elite Excavation Company	Upground Reservoir raw water piping installation	14,162
Environmental Management	Uni-Gateway/Delaware Ave Landscaping Improvements	16,007
George J. Igel and Company	Sewer Force Main	20,000
Jones and Henry	Union County Sewer System Review	63
Kirk Brothers	Crosses Run Pump Station	1,320,811
Kirk Brothers	Dam & Raw Water Pump Station	2,874,058
Kokosing Construction	Water Reclamation Facility and Effluent Line	4,623,379
Malcolm Pirnie	Engineering Services – Water Reclamation Facility	344,934
Nickolas Savco & Sons, Inc.	Collins Avenue Pavement Rehabilitation	199,016
Obermeyer Hydro	Inflatable Dam for Reservoir	43,427
Ohio Technical Services	CHIP Construction Grants	28,808
Pomante Construction	CHIP Construction Grants	12,050
Strawser Paving	2008 Pavement Maintenance	174,521
Super Excavators, Inc.	Trunk Interceptor Sewer	1,686,910
Tri-County Aluminum Services	CHIP Construction Grants	4,835

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 13 - 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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement 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, Attn: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 14 percent; 7 percent was the portion used to fund pension obligations for the period January 1 through December 31, 2008. 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, 2008, 2007, and 2006 were \$689,728, \$643,465, and \$615,269 respectively; 92.63 percent has been contributed for 2008 and 100 percent has been contributed for 2007 and 2006. The unpaid contribution for 2008, in the amount of \$50,867, is recorded as a liability.

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

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

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, 2008, 2007, and 2006 were \$780,249, \$726,838, and \$742,484 respectively; 73.28 percent has been contributed for 2008 and 100 percent has been contributed for 2007 and 2006. The unpaid contribution for 2008, in the amount of \$208,469, is recorded as a liability.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (the "System") maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement to qualifying members of both the Traditional and Combined Plans (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. 45. 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 2008 employer contribution rate for local government employers was 14 percent of covered payroll; 7 percent was the portion used to fund health care for the period January 1 through December 31, 2008. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

OPEB are advance funded on an actuarially determined basis using the individual entry age actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .50 percent to 6.3 percent based on additional pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 4 percent for the next 7 years. In subsequent years (8 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, 2008, the total number of active contributing participants in the Traditional and Combined Plans was 363,503. The number of active contributing participants for both plans used in the December 31, 2007 actuarial valuation was 364,076. As of December 31, 2007, the latest information available, the actuarial value of net assets available for future OPEB payments was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial liability were \$29.8 billion and \$17 billion, respectively. The City's actual contributions for 2008 which were used to fund OPEB were \$344,864.

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.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)**

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents. 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 (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code. 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.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.75% of covered payroll in 2008 and 6.75% of covered payroll in 2007. 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 Ohio Revised Code provides for contribution requirement of the participating employers and of plan members to the OP&F (defined benefit pension plan). Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an Internal Revenue Service Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The Board defined allocation to the health care plan was 6.75% of covered payroll in 2008 and 2007. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The number of participants eligible to receive health care benefits as of December 31, 2007, the date of the last actuarial valuation available, are 14,295 for police and 10,583 for firefighters.

The City's actual contributions to OP&F for the year ended December 31, 2008 that were used to fund post-employment benefits were \$121,907 for police and \$120,245 for firefighters. The Fund's total health care expense for the year ended December 31, 2007, (the latest information available) was \$93,205,319, which was net of member contributions of \$56,031,875.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 15 - COMPENSATED ABSENCES**

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

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

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

**NOTE 16 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2008, was as follows:

	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Amounts Due in One Year
<b><u>Governmental Activities</u></b>					
Anticipation Notes:					
2007 Street Improvement Notes	\$ 1,800,000	\$0	\$ 1,800,000	\$0	\$0
2007 Street Improvement Notes	1,000,000	0	1,000,000	0	0
2007 Tax Increment Financing	7,005,000	0	7,005,000	0	0
2007 Tax Increment Financing	5,225,000	0	5,225,000	0	0
2008 Street Improvement Notes	0	1,200,000	0	1,200,000	0
2008 Tax Increment Financing	0	7,005,000	0	7,005,000	7,005,000
2008 Tax Increment Financing	0	5,075,000	0	5,075,000	5,075,000
<b>Total Anticipation Notes</b>	<b>15,030,000</b>	<b>13,280,000</b>	<b>15,030,000</b>	<b>13,280,000</b>	<b>12,080,000</b>
General Obligation Bonds:					
2000 Various Purpose	1,340,000	0	425,000	915,000	445,000
2007 Various Purpose Refunding Bonds	6,395,000	0	25,000	6,370,000	30,000
Premium	287,609	0	21,706	265,903	21,706
<b>Total G.O. Bonds</b>	<b>8,002,609</b>	<b>0</b>	<b>471,706</b>	<b>7,550,903</b>	<b>496,706</b>
Other Long-Term Obligations:					
Compensated Absences Payable	723,732	802,073	723,732	802,073	568,989
Capital Leases Payable	33,171	0	14,363	18,808	11,314
<b>Total Other Long-Term Obligations</b>	<b>756,903</b>	<b>802,073</b>	<b>738,095</b>	<b>820,881</b>	<b>580,303</b>
<b>Total Governmental Activities</b>	<b>\$23,809,512</b>	<b>\$14,082,073</b>	<b>\$16,239,801</b>	<b>\$21,651,784</b>	<b>\$13,157,009</b>

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Amounts Due in One Year
<b>Business-Type Activities</b>					
<b>Anticipation Notes:</b>					
2007 Water and Sewer Acquisition Notes	3,815,001	0	3,815,001	0	0
2007 Wastewater Treatment System Notes	23,000,000	0	23,000,000	0	0
2007 Trunk Sewer and Wastewater Notes	1,750,000	0	1,750,000	0	0
2008 Water and Sewer Acquisition Notes	0	3,615,000	0	3,615,000	0
2008 Wastewater Treatment System Notes	0	24,750,000	0	24,750,000	0
<b>Total Anticipation Notes</b>	<b>28,565,001</b>	<b>28,365,000</b>	<b>28,565,001</b>	<b>28,365,000</b>	<b>0</b>
<b>General Obligation Bonds:</b>					
2004 Various Improvement Refunding Premium	2,330,000 4,892	0 0	400,000 815	1,930,000 4,077	410,000 815
<b>Total General Obligation Bonds</b>	<b>2,334,892</b>	<b>0</b>	<b>400,815</b>	<b>1,934,077</b>	<b>410,815</b>
<b>Mortgage Revenue Bonds:</b>					
2002 Water System Mortgage Rev	3,144,583	0	150,000	2,994,583	155,000
Discount on Sale of Bonds	(41,759)	0	(2,784)	(38,975)	(2,784)
2003 Water System Mortgage Rev	7,604,373	0	425,000	7,179,373	435,000
Premium on Sale of Bonds	77,360	0	5,951	71,409	5,951
2006 Sewer System Mortgage Revenue	85,446,922	0	230,000	85,216,922	240,000
Premium on Sale of Bonds	2,101,774	0	55,310	2,046,464	55,310
2007 Sewer System Mortgage Revenue	31,555,000	0	0	31,555,000	0
Premium on Sale of Bonds	552,985	0	14,179	538,806	14,179
2007 Water System Mortgage Revenue	21,335,000	0	50,000	21,285,000	65,000
Discount on Sale of Bonds	(21,868)	0	(729)	(21,139)	(729)
<b>Total Mortgage Revenue Bonds</b>	<b>151,754,370</b>	<b>0</b>	<b>926,927</b>	<b>150,827,443</b>	<b>966,927</b>
<b>OPWC Loans:</b>					
Ohio Public Works Commission Wastewater Treatment Plant Loan	44,753	0	5,967	38,786	5,967
Ohio Public Works Commission Sanitary Sewer Loan	12,740	0	1,960	10,780	1,960
<b>Total OPWC Loans</b>	<b>57,493</b>	<b>0</b>	<b>7,927</b>	<b>49,566</b>	<b>7,927</b>

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Other Long-Term Obligations:					
Compensated Absences Payable	223,267	244,645	223,267	244,645	125,506
Capital Leases Payable	3,964	0	3,693 *	271	271
<hr/>					
Total Other Long-Term Obligations	227,231	244,645	226,960	244,916	125,777
Total Business-Type Activities	<u>\$182,938,987</u>	<u>\$28,609,645</u>	<u>\$30,127,630</u>	<u>\$181,421,002</u>	<u>\$1,511,446</u>

\*Of this total amount, \$3,627 was for principal payments and \$66 was a reduction due to the cancellation of a lease during 2008.

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 or less.

Governmental Activities – Bond Anticipation Notes

Street Improvement Notes

The 2007 Street Improvement Notes of \$1,800,000 bearing a rate of 4.25% and the 2007 Street Improvement Notes of \$1,000,000 bearing a rate of 4.25% matured on March 6, 2008 and May 16, 2008 respectively in part from the 2008 Street Improvement Notes of \$2,000,000 bearing a rate of 2.00%. These notes were issued to finance various City street improvements. These notes will be retired from the City's Debt Service Fund. On March 5, 2009, the City paid \$800,000 against the note and refinanced \$1,200,000 into a new bond. Therefore, the \$2,000,000 liability outstanding at December 31, 2008 is split with \$1,200,000 presented as a long-term liability and \$800,000 presented as a fund liability in the financial statements. The activity related to the short-term obligation portion of the bond anticipation note is presented in Note 17.

Coleman's Crossing Tax Increment Financing Notes

The 2007 Coleman's Crossing Tax Increment Financing Notes of \$7,500,000 bearing a rate of 4.25% matured on September 11, 2008 from the 2008 Coleman's Crossing Tax Increment Financing Notes of \$7,500,000 bearing a rate of 2.75%. These notes were issued to finance certain public improvements within the Coleman's Crossing Tax Increment Financing District. These notes will be retired from the City's Coleman's Crossing TIF Fund.

City Gate Tax Increment Financing Notes

The 2007 City Gate Tax Increment Financing Notes of \$5,225,000 bearing a rate of 4.00% matured on September 11, 2008 in part from the 2008 City Gate Tax Increment Financing Notes of \$5,075,000 bearing a rate of 2.75%. These notes were issued to finance certain public improvements within the City Gate Tax Increment Financing District. These notes will be retired from the City's City Gate TIF Fund.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Governmental Activities General Obligation Bonds

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

2000 Various Improvement

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

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

Bonds bear an interest rate from 5.00 to 5.40%. These bonds will be retired from the City's Debt Service Fund.

2007 Various Improvement Refunding Bonds

The Various Improvement general obligation bonds are serial bonds issued for the purpose of advance refunding a portion of the 2000 Various Improvement Bonds issued November 1, 2000 (\$6,225,000). 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 \$271,360. The 2007 bonds are not subject to redemption prior to maturity. The bonds mature on December 1, 2007 through December 1, 2017, and December 1, 2020 in the amount of \$6,515,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The amount of \$6,673,981 from the 2007 bonds was placed in an escrow fund to defease the 2000 bonds which will be redeemed each June 1 and December 1 annually between 2007 and 2010. Bonds bear an interest rate from 4.00 to 5.00%. These bonds will be retired from the City's Debt Service Fund. \$6,936,810 was outstanding as of December 31, 2008.

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, Water, and Stormwater enterprise funds.

Capital Leases Payable

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

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Business-Type Activities – Bond Anticipation Notes

Water and Sewer Acquisition Notes

The 2007 Water and Sewer Acquisition Notes of \$3,815,000 bearing a rate of 4.50% matured on January 24, 2008 in part from the 2008 Water and Sewer Acquisition Notes of \$3,615,000 bearing a rate of 3.50%. These notes were issued to finance the cost of acquiring certain improvements of a sewage collection system and certain improvements of a water supply and distribution system. These notes will be retired from the City's Water and Sewer funds.

Wastewater Treatment System and Trunk Sewer Notes

The 2007 Wastewater Treatment System Notes of \$23,000,000 bearing a rate of 4.13% and the 2007 Trunk and Sewer Wastewater Notes of \$1,750,000 bearing a rate of 4.25% matured on June 5, 2008 from the 2008 Wastewater Treatment System Notes of \$24,750,000 bearing a rate of 2.50%. These notes were issued to finance the cost of acquiring certain improvements of a sewage collection system and trunk line. These notes will be retired from the Sewer Fund.

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. \$2,120,225 was outstanding as of December 31, 2008. Bonds bear an interest rate from 5.00 to 5.50%. These bonds will be retired from the City's Water and Sewer funds.

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 uses are restricted, are presented as restricted assets on the statement of net assets.

Restricted Assets Held by City	
Sewer Replacement and Improvement	\$ 16,913,818
Water Replacement and Improvement	16,235,326

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

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. Bonds bear an interest rate from 2.40 to 5.10%. These bonds will be retired from the City's Water Fund.

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. Bonds bear an interest rate from 2.00 to 4.50%. These bonds will be retired from the City's Water Fund.

2006 Sewer System Mortgage Revenue Refunding Bonds

The Sewer System Mortgage Revenue Bonds are term bonds issued to advance refund \$13,345,000, including a call premium of \$693,172, of mortgage revenue bonds issued in 2005 and to currently refund \$55,000,000 of outstanding mortgage revenue bond anticipation notes issued in 2005 and to provide additional resources for constructing and installing certain sewer treatment system improvements. The bonds maturing on or after December 1, 2016, are subject to early redemption, at the sole option of the City, either in whole or in part on any date, on or after December 1, 2016 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest. The Series 2006 Bonds maturing December 1, 2031, December 1, 2036, and December 1, 2046 are subject to mandatory sinking fund redemption prior to stated maturity. The amount of \$13,410,965 from the 2006 bonds was placed in an escrow fund to defease the 2005 bonds. Bonds bear an interest rate from 4.00 to 5.25%. These bonds will be retired from the City's Sewer Fund.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Mortgage Revenue Bonds (Continued)

2007 Sewer System Mortgage Revenue Bonds

The Sewer System Mortgage Revenue Bonds are a combination of serial bonds maturing December 1, 2012 through December 1, 2023 and term bonds maturing December 1, 2027, December 1, 2037, and December 1, 2047, issued to provide funds for the acquisition, construction, expansion, rehabilitation, and improvement of the City's municipal wastewater collection and treatment system. The series 2007 bonds maturing after December 1, 2017 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, 2017 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest. The Series 2007 Bonds maturing December 1, 2027, December 1, 2037, and December 1, 2047 are subject to mandatory sinking fund redemption prior to stated maturity. Bonds bear an interest rate from 4.00 to 5.00%. These bonds will be retired from the City's Sewer Fund.

2007 Water System Mortgage Revenue Bonds

The Water System Mortgage Revenue Bonds are a combination of serial bonds maturing December 1, 2008 through December 1, 2025 and term bonds maturing December 1, 2027, December 1, 2032, and December 1, 2038, issued to provide funds for the acquisition, construction, expansion, rehabilitation, and improvement of the City's municipal water system. The series 2007 bonds maturing after December 1, 2017 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, 2017 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest. The Series 2007 Bonds maturing December 1, 2027, December 1, 2032, and December 1, 2038 are subject to mandatory sinking fund redemption prior to stated maturity. Bonds bear an interest rate from 3.75 to 5.00%. These bonds will be retired from the City's Sewer Fund.

Fund assets, whose uses are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. Restricted assets relating to the sewer mortgage revenue bonds at December 31, 2008, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$12,384
Mortgage Revenue Bond Reserve Fund	4,023,754

Restricted assets relating to the water mortgage revenue bonds at December 31, 2008, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$6,404
Mortgage Revenue Bond Reserve Fund	303,870

Pledged Revenues – In connection with the mortgage revenue bonds previously discussed, the City has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities, solely from net revenues applicable to the respective water and sewer funds. The interest and principal remaining to be paid on these bonds is \$320,161,131.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Ohio Public Works Commission Loans

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

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

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

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

The City's overall legal debt margin was \$22,695,602 at December 31, 2008.

Principal and interest requirements to retire general obligation bonds, and mortgage revenue bonds at December 31, 2008, were as follows:

Year	Governmental-Type Activities General Obligation Bonds				Business-Type Activities General Obligation Bonds	
	2000 Various Improvement		2007 Various Purpose Refunding		2004 Various Improvement Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	445,000	45,750	30,000	276,550	410,000	63,840
2010	470,000	23,500	30,000	275,350	420,000	51,540
2011	0	0	520,000	274,150	435,000	38,310
2012	0	0	540,000	253,350	325,000	23,955
2013	0	0	570,000	231,750	340,000	12,580
2014-2018	0	0	3,195,000	799,150	0	0
2019-2020	0	0	1,485,000	112,250	0	0
Totals	<u>\$915,000</u>	<u>\$69,250</u>	<u>\$6,370,000</u>	<u>\$2,222,550</u>	<u>\$1,930,000</u>	<u>\$190,225</u>

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Year	2002 Water System Mortgage Revenue Improvement		2003 Water System Mortgage Revenue Refunding		2007 Water System Mortgage Revenue Improvement	
	Principal	Interest	Principal	Interest	Principal	Interest
	2009	155,000	145,360	435,000	291,018	65,000
2010	165,000	138,695	450,000	279,056	75,000	980,394
2011	170,000	131,435	465,000	265,106	100,000	977,581
2012	180,000	123,870	480,000	249,994	110,000	973,831
2013	185,000	115,590	495,000	233,193	125,000	969,706
2014-2018	1,075,000	434,848	2,825,000	813,428	895,000	4,758,895
2019-2023	1,064,583	138,725	2,029,373	179,211	2,390,000	4,502,745
2024-2028	0	0	0	0	4,540,000	3,700,057
2029-2033	0	0	0	0	5,755,000	2,486,375
2034-2038	0	0	0	0	7,230,000	1,004,850
Totals	<u>\$2,994,583</u>	<u>\$1,228,523</u>	<u>\$7,179,373</u>	<u>\$2,311,006</u>	<u>\$21,285,000</u>	<u>\$21,337,265</u>

Year	2006 Sewer System Mortgage Revenue Improvement		2007 Sewer System Mortgage Revenue Improvement	
	Principal	Interest	Principal	Interest
	2009	240,000	4,133,625	0
2010	250,000	4,124,025	0	1,473,498
2011	710,000	4,114,025	0	1,473,497
2012	765,000	4,087,400	315,000	1,473,498
2013	985,000	4,058,713	330,000	1,460,897
2014-2018	5,690,000	19,516,765	1,850,000	7,096,488
2019-2023	7,205,000	18,005,202	2,255,000	6,693,857
2024-2028	9,265,000	15,943,514	2,770,000	6,180,363
2029-2033	11,850,000	13,352,690	3,480,000	5,464,125
2034-2038	15,125,000	10,085,615	4,445,000	4,502,375
2039-2043	19,120,000	6,084,514	5,640,000	3,315,262
2044-2047	14,011,922	1,330,951	10,470,000	1,609,063
Totals	<u>\$85,216,922</u>	<u>\$104,837,039</u>	<u>\$31,555,000</u>	<u>\$42,216,420</u>

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

	2006	
	Ohio Public Works Commission Loans	
Year	Principal	
2009	7,927	
2010	7,927	
2011	7,927	
2012	7,927	
2013	7,927	
2014-2015	9,931	
Totals	\$49,566	

**NOTE 17 – SHORT TERM OBLIGATION**

A summary of the short-term note transactions for the Debt Service Fund for the year ended December 31, 2008 follows:

Types / Issues	Balance 12/31/07	Issued	Retired	Balance 12/31/08
2008 Street Improvement Notes	\$0	\$800,000	\$0	\$800,000

On March 6, 2008, the City issued 2.00 % Street Improvement Bond Anticipation Notes, Series 2008, in the amount of \$2,000,000. These notes were issued to repay the 2007 Street Improvement Notes of \$1,800,000 and the 2007 Street Improvement Notes of \$1,000,000 to finance various street improvements. On March 5, 2009, the City paid \$800,000 against the note and refinanced \$1,200,000 into a new bond. Therefore, the \$2,000,000 liability outstanding at December 31, 2008 is split with \$1,200,000 presented as a long-term liability and \$800,000 presented as a fund liability in the financial statements. The activity related to the long-term obligation portion of the bond anticipation note is presented in Note 16.

**NOTE 18 - 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 \$64,714 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 2008 were \$14,363 and \$3,627, in governmental and enterprise funds, respectively.

	Governmental Activities	Business-Type Activities
Property under Capital Lease	\$64,714	\$13,934
Less Accumulated Depreciation	(48,754)	(13,663)
Total December 31, 2008	\$15,960	\$271

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 18 - 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, 2008.

Year	Governmental Activities	Business-Type Activities
2009	11,941	274
2010	7,624	0
Total	19,565	274
Less Amount Representing Interest	(757)	(3)
Present Value of Net Minimum Lease Payments	\$18,808	\$271

**NOTE 19 - 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 subdivisions. The Corporation can issue its own debt and is not fiscally dependent on the City. The City of Marysville does not have an ongoing financial interest and/or responsibility with this organization.

Mid-Ohio Regional Planning Commission

The City is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 74 representatives appointed by member governments who make up the commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south-central Ohio and a regional planning agency whose membership includes 42 political subdivisions in and around Franklin, Ross, Fayette, Delaware, Pickaway, Madison, Licking, and Fairfield counties, Ohio. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support livability/sustainability measures as a means of addressing regional growth challenges, and to administer and facilitate the availability of regional environmental infrastructure program funding to the full advantage of MORPC's members.

Marysville/Union County Port Authority

The Marysville/Union County Port Authority (the Authority) is a jointly governed organization involving the City of Marysville and Union County. The Authority was established to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture, research, and the creation and preservation of jobs and employment opportunities in Union County. The Authority's Board of Trustees consists of seven members, three appointed by the Mayor of Marysville with the advice and consent of City Council, three appointed by the County Commissioners, and one appointed by the Mayor of Marysville with the advice and consent of the City Council and the County Commissioners.

**CITY OF MARYSVILLE  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**NOTE 20 - 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, 2008, to December 31, 2008, the City received state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**NOTE 21 - SUBSEQUENT EVENTS**

On January 23, 2009, the City issued bond anticipation notes, in the amount of \$3,490,000 to retire notes previously issued, in the amount of \$3,615,000 for the acquisition of water lines, sewer lines, pumping stations, and related equipment from Union County, Ohio. The notes have an interest rate of 2.75 percent and mature on January 22, 2010.

On March 5, 2009, the City issued general obligation bond anticipation notes, in the amount of \$1,200,000, to retire notes previously issued, in the amount of \$2,000,000 for various street resurfacing projects. The notes have an interest rate of 2.75 percent and mature on March 4, 2010.

On June 3, 2009, the City issued wastewater improvement bond anticipation notes, in the amount of \$24,750,000, to retire notes previously issued, in the amount of \$24,750,000 for various wastewater improvement projects. The notes have an interest rate of 1.50 percent and mature on June 2, 2010.

On October 20, 2009, the City issued Tax Increment Financing (TIF) Notes in the amounts of \$7,005,000 and \$4,975,000, to retire notes previously issued, in the amounts of \$7,005,000 and \$5,075,000 respectively for TIF projects. The notes have interest rates of 3.0 percent and 3.5 percent respectively and mature on September 1, 2010.

**NOTE 22 – RESTATEMENT OF PRIOR YEAR NET ASSETS AND CHANGE IN ACCOUNTING PRINCIPLES**

**Restatement of Prior Year Net Assets**

Certain previously reported net assets have been restated to reflect correction of error related to capitalization of interest and interest earnings. These restatements had the following effect on previously reported net assets:

	Government- Type Activities	General Fund	Business-Type Activities	Sewer Fund	Water Fund
Net Assets/Fund Balance, December 31, 2007	\$30,606,051	\$6,148,311	\$ 39,598,270	\$18,494,071	\$ 19,518,216
Restatements:					
Capitalization of Interest			1,290,285	1,357,392	(67,107)
Interest Revenue	(3,489)	(3,489)	947,739	1,052,142	(104,403)
Net Assets/Fund Balance, Restated, January 1, 2008	\$30,602,562	\$6,144,822	\$ 41,836,294	\$20,903,605	\$19,346,706

CITY OF MARYSVILLE  
UNION COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

---

**NOTE 22 – RESTATEMENT OF PRIOR YEAR NET ASSETS AND CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

Change in Accounting Principles

During 2008, the City has implemented *Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"*, *GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations"*, and *GASB Statement No. 50, "Pension Disclosures"*.

*GASB Statement No. 45* improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F postemployment healthcare plans in the amount of \$344,864 and \$242,152, respectively, which are the same as the previously reported liabilities.

*GASB Statement No. 49* provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The implementation of this statement did not result in any change to the financial statements.

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

**NOTE 23 – ACCOUNTABILITY**

At December 31, 2008, the Debt Service Fund had a deficit fund balance of \$653,153. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe findings number 2008-001 and 2008-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated November 16, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the City Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 16, 2009

**CITY OF MARYSVILLE  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2008-001**

**Bank Reconciliation - Significant Deficiency / Material Weakness**

Strong monitoring practices of City financial activities are the responsibility of the finance department and City Council and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, the Finance Department and City Council should review the bank to book reconciliation and monthly financial reports of financial activity of the City to ensure reconciliations are accurate.

The City did not properly account for the cash basis value of investments in monthly bank to book reconciliations throughout the fiscal year and failed to properly recognize accrued interest and gains/losses on investments in addition to untimely posting of monthly investment earnings. These items resulted in required adjustments to the financial statements of \$496,934 including \$195,730 in prior period restatements (See Finding 2008-002).

We recommend the City perform bank to book reconciliations on a timely basis, ensuring the utilization of the proper cash basis value of all investments. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. Postings of corrections should be made to the City's books in a timely basis. Any unreconciled balances should be researched in order to find the known source of the error.

**Officials' Response:**

The finance department of the City of Marysville (City) prides itself on providing accurate and timely financial information, including timely bank reconciliations. The department does in fact prepare a monthly cash reconciliation which is used to compare banking activity to the City's financial ledger activities.

The investment valuation issue described in paragraph two (2) above arose due primarily to the difference in reporting methods used by the City and by the depository. The City reported the investments utilizing a cash value. This value was calculated using the original investment amount (cash deposited) in the segregated accounts plus gross interest earnings reported by the depository less amounts withdrawn for contract payments. Accrued interest paid at the purchase of the investment was not netted against the gross interest earned while the investment was owned by the City. Conversely, the depository issued reports which detailed these investments at market value. This market value fluctuates monthly. The difference in reporting methods (cash versus market value) impacted the City's ability to effectively identify accrued interest and investment earnings.

The City's manner of accounting for these investments has been consistent since 2006 with no significant deficiencies noted in prior audits. However, the following steps have been implemented to address the items as identified in Finding 2008-001:

1. The Finance Department has reconciled each of the investment accounts to the depository balance and has made the required interest adjustments identified above.
2. The Finance Department performs a monthly comparison of the cash basis carrying amount of each investment account against the reported market value. The cash basis financial statements will not be adjusted for market fluctuations while the investment is held, but will be adjusted upon the sale or redemption of the individual investment.
3. The Finance Department will adjust the general purpose financial statements in the annual conversion process to ensure the reported investments are carried at market value as reported by the depository.

**CITY OF MARYSVILLE  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-002**

**Financial Reporting – Significant Deficiency / Material Weakness**

Sound financial reporting is the responsibility of the City's Finance Department and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The City utilizes the SSI accounting system and currently has monitoring controls over daily cash-basis transactions entered into the system. At year-end the cash basis information from the accounting system is converted into the financial statements reported under Accounting Principles Generally Accepted in the United States of America. Accrual information is prepared by the City generated into financial statements.

The following audit adjustments / reclassifications / restatements were made to the financial statements and, where applicable, to the City's accounting records:

- Adjustment of Notes Payable to Non-Current / Long Term Liabilities Due in More Than One Year due to rollover of notes extending financing beyond one year for \$26,593,650 in the Sewer Fund, \$1,771,350 in the Water Fund, \$28,365,000 for Business Type Activities overall and \$1,200,000 for Governmental Type Activities. Additionally \$12,080,000 of Notes Payable were taken to Non-Current / Long Term Liabilities Due in Less Than One Year, associated with Tax Increment Financing Notes.
- \$800,000 of Notes Payable accrued to the Debt Service Fund as a short term liability, due to portion of the liability paid by the City and not refinanced beyond a year.
- Reclassification of \$283,032 of Payment in Lieu of Taxes revenue in the Sewer Fund from Charge for Service revenue.
- Reclassification of \$738,508 of Special Assessments Receivable to Payments in Lieu of Taxes Receivable in the Sewer Fund on the Enterprise Funds Statement of Net Assets.
- Adjustment to decrease Cash of and Cash Equivalents of \$496,934, including prior period restatement of \$195,730 due to unrecognized accrued interest and gains/losses on investments.
- Adjustment to increase Capital Assets of \$5,141,081, including prior period restatement of \$687,210, due to unrecognized capitalization of interest on enterprise capital assets.

The following aggregated differences/reclassifications were immaterial to the overall financial statements of the City and were not posted to the December 31, 2008 Statement of Net Assets and Statement of Activities:

**Governmental Activities:**

- Assets are overstated by \$43,991;
- Liabilities are understated by \$122,846;
- Equity is overstated by \$64,714;
- Revenue are understated by \$265;
- Expenses are understated by \$102,358.

**CITY OF MARYSVILLE  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-002 (Continued)**

Business-Type Activities:

- Assets are overstated by \$75,848;
- Liabilities are understated by \$836,252;
- Revenues are understated by \$42,883;
- Expenditures are understated by \$954,983.

The following aggregated differences/reclassifications were immaterial to the overall financial statements of the City and were not posted to the December 31, 2008 Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance:

General Fund:

- Assets are understated by \$265;
- Revenues are understated by \$265.

Other Governmental Funds:

- Liabilities are understated by \$122,846;
- Expenditures are understated by \$122,846.

The following aggregated differences/reclassifications were immaterial to the overall financial statements of the City and were not posted to the December 31, 2008 Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets:

Sewer Fund:

- Assets are understated by \$73,673;
- Liabilities are understated by \$492,094;
- Revenues are understated by \$42,883;
- Expenses are understated by \$461,304.

Water Fund:

- Assets are overstated by \$149,521;
- Liabilities are understated by \$344,158;
- Expenses are understated by \$493,679.

Failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the City enhance or develop new policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the City and thereby increases the reliability of the financial data throughout the year. We also recommend the City implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**Officials' response:**

The City's finance department is committed to proper financial reporting and welcomes this opportunity to receive feedback that will continue to assure accurate financial reports prepared by the City. As identified above, six (6) audit adjustments/reclassifications/restatements were made to the financial statements and, where applicable, the City's accounting records. Regarding these six (6) items:

**CITY OF MARYSVILLE  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-002 (Continued)**

**Officials' response (Continued):**

- It is important to note that items 1-4 were simply reclassification entries that changed the presentation of these amounts on the financial statements but did not change the total amounts reported in the financial statements.
  
- Of the two items that affected the amounts reported on the financial statements, we respectfully note the following:
  - The first adjustment is an investment valuation issue that has been described in response to Finding 2008-001 and was due primarily to the difference in reporting methods used by the City and by the depository. The City reported the investments utilizing a cash value. This value was calculated using the original investment amount (cash deposited) in the segregated accounts plus gross interest earnings reported by the depository less amounts withdrawn for contract payments. Accrued interest paid at the purchase of the investment was not netted against the gross interest earned while the investment was owned by the City. Conversely, the depository issued reports which detailed these investments at market value. This market value fluctuates monthly. The difference in reporting methods (cash versus market value) impacted the City's ability to effectively identify accrued interest and investment earnings. The City's manner of accounting for these investments has been consistent since 2006 with no significant deficiencies noted in prior audits.
  - The second adjustment was due to interest paid during the construction of utility projects which was booked as a period expense instead of being capitalized in the cost of the project and amortized over the useful life of the asset. Due to the amounts involved (\$5 million dollars over four (4) years on two (2) projects which totaled approximately \$144 million), the City did not consider the interest paid to be a significant cost of the project. It should also be noted that this practice had not been questioned nor identified as incorrect in audits covering the prior 3 accounting periods.
  
- Finally, it is also important to note that, while this recommendation addresses the reliability of financial reporting throughout the year, with one exception the identified items only impacted amounts converted from the City's cash basis accounting to accrual basis accounting after year-end and did not impact the City's financial reporting throughout the year.

The following steps have been implemented to address the items as identified in Finding 2008-002:

1. The finance department will review its monitoring controls over the conversion process to ensure the items reported in 2008 are not continuing weaknesses
2. The reclassification entries have been noted and the modifications identified by the Auditor of State will be incorporated in future reporting periods.
3. The Finance Department has reconciled each of the investment accounts to the depository balance and has made the required interest adjustments identified above.
4. The Finance Department performs a monthly comparison of the cash basis carrying amount of each investment account against the reported market value. The cash basis financial statements will not be adjusted for market fluctuations while the investment is held, but will be adjusted upon the sale or redemption of the individual investment.
5. The Finance Department will adjust the general purpose financial statements in the annual conversion process to ensure the reported investments are carried at market value as reported by the depository.

CITY OF MARYSVILLE  
UNION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Financial Reporting recommendation due to adjustments required to the financial statements.	No	Not Corrected – Reissued as 2008-002.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF MARYSVILLE**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 11, 2010**