

**CITY OF MARION, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED*  
*DECEMBER 31, 2008*





Mary Taylor, CPA  
Auditor of State

Members of City Council and Mayor  
City of Marion  
233 West Center Street  
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of the City of Marion, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 7, 2009

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## TABLE OF CONTENTS

Independent Auditor’s Report.....	3-4
Management’s Discussion and Analysis.....	5-12
Basic Financial Statements:-	
Government-Wide Financial Statements:-	
Statement of Net Assets .....	13
Statement of Activities.....	14
Fund Financial Statements:-	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	19
Street Construction, Maintenance and Repair .....	20
Statement of Net Assets - Enterprise Funds.....	21
Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Funds .....	22
Statement of Cash Flows - Enterprise Funds .....	23
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	24
Notes to the Basic Financial Statements .....	25-63
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	64-65
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	66-67
Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2007.....	68
Notes to Schedule of Expenditures of Federal Awards.....	69
Schedule of Findings and Questioned Costs .....	70

Schedule of Current Year Findings.....	71-74
Schedule of Prior Year Finding.....	75



## INDEPENDENT AUDITOR'S REPORT

To the Members of City Council and Mayor  
City of Marion, Ohio

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 Marion, Marion 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.

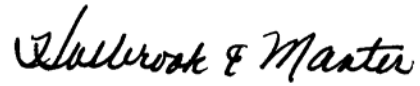
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Marion County, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General Fund, Street Construction and Maintenance and Repair Fund 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 August 31, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 12, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Certified Public Accountants

August 31, 2009



**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

The discussion and analysis of the City of Marion's financial performance provides an overview 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.

HIGHLIGHTS

Highlights for 2008 are as follows:

In total, the City's net assets decreased less than 5 percent from the prior year; less than 5 percent for both governmental business activities. The changes were not significant.

General revenues made up 71 percent of the total revenues for governmental activities in 2008, and of this amount, 75 percent was provided through municipal income taxes, the most critical of the City's revenue sources. Program revenues, or user charges, make up 98 percent of the revenues for business-type activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City's financial position.

The statement of net assets and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General Fund, the Street Construction, Maintenance, and Repair special revenue fund, the Tax Incremental Financing capital projects fund, and the Sewer, Sanitation, Landfill, and Storm Water enterprise funds.

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, equipment, sewer and storm water lines). These factors must be considered when assessing the overall health of the City.

**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

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 programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's sewer, sanitation, landfill, and storm water services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General Fund, the Street Construction, Maintenance, and Repair special revenue fund, the Tax Incremental Financing capital projects fund, and the Sewer, Sanitation, Landfill, and Storm Water enterprise funds. While the City uses many funds to account for its financial transactions, these are the most significant.

*Governmental Funds* - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

*Proprietary Funds* - The City has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The City uses enterprise funds to account for sewer, sanitation, landfill, and storm water operations. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The City's internal service fund accounts for the City's central garage which provides vehicle maintenance to departments of the City.

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2008 and 2007.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Assets</u>						
Current and Other Assets	\$20,360,615	\$19,781,831	\$14,955,946	\$12,036,558	\$35,316,561	\$31,818,389
Capital Assets, Net	56,813,758	58,718,047	38,328,329	40,417,334	95,142,087	99,135,381
Total Assets	<u>77,174,373</u>	<u>78,499,878</u>	<u>53,284,275</u>	<u>52,453,892</u>	<u>130,458,648</u>	<u>130,953,770</u>
<u>Liabilities</u>						
Current and Other Liabilities	6,943,646	3,778,771	9,199,293	5,882,711	16,142,939	9,661,482
Long-Term Liabilities	8,170,162	9,706,000	31,327,799	33,227,985	39,497,961	42,933,985
Total Liabilities	<u>15,113,808</u>	<u>13,484,771</u>	<u>40,527,092</u>	<u>39,110,696</u>	<u>55,640,900</u>	<u>52,595,467</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	52,708,806	54,707,830	9,611,372	10,147,834	62,320,178	64,855,664
Restricted	7,655,067	7,483,772	0	0	7,655,067	7,483,772
Unrestricted	1,696,692	2,823,505	3,145,811	3,195,362	4,842,503	6,018,867
Total Net Assets	<u>\$62,060,565</u>	<u>\$65,015,107</u>	<u>\$12,757,183</u>	<u>\$13,343,196</u>	<u>\$74,817,748</u>	<u>\$78,358,303</u>

While the change in net assets for governmental activities was not significant (decrease of less than 5 percent) there were several items worth noting. Net capital assets decreased \$1.9 million due to depreciation expense. Current and other assets increased from the issuance of bond anticipation notes for various improvements. Long-term liabilities decreased from the retirement of long-term notes as well as continuing to make other debt payments as scheduled. The change in invested in capital assets was affected by both depreciation expense and the impact of debt issuance and retirement.

In the business-type activities there are several items to highlight. The increase in current and other assets of \$2.9 million is a result of an increase in cash in the Sewer and Storm Water funds. This increase is due to notes issued but not spent as of year end. Current and other liabilities increased due to the issuance of notes.

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**UNAUDITED**

Table 2 reflects the change in net assets for 2008 and 2007.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,166,146	\$5,152,745	\$9,382,727	\$12,876,254	\$12,548,873	\$18,028,999
Operating Grants, Contributions, and Interest	4,099,975	3,496,511	0	3,648	4,099,975	3,500,159
Capital Grants and Contributions	499,392	641,574	0	0	499,392	641,574
Total Program Revenues	<u>7,765,513</u>	<u>9,290,830</u>	<u>9,382,727</u>	<u>12,879,902</u>	<u>17,148,240</u>	<u>22,170,732</u>
General Revenues						
Property Taxes Levied for General Purposes	1,219,923	1,144,917	0	0	1,219,923	1,144,917
Property Taxes Levied for Police and Fire Pension	221,481	207,531	0	0	221,481	207,531
Municipal Income Taxes Levied for General Purposes	13,175,181	13,816,172	0	0	13,175,181	13,816,172
Municipal Income Taxes Levied for Street Construction, Maintenance, and Repair	446,556	328,401	0	0	446,556	328,401
Municipal Income Taxes Levied for Capital Improvements	390,458	425,819	0	0	390,458	425,819
Grants and Entitlements not Restricted to Specific Programs	2,472,533	2,101,134	0	0	2,472,533	2,101,134
Franchise Taxes	171,252	204,551	0	0	171,252	204,551
Interest	392,497	814,664	124,191	92,218	516,688	906,882
Other	273,752	211,571	90,551	38,308	364,303	249,879
Total General Revenues	<u>18,763,633</u>	<u>19,254,760</u>	<u>214,742</u>	<u>130,526</u>	<u>18,978,375</u>	<u>19,385,286</u>
Total Revenues	<u>26,529,146</u>	<u>28,545,590</u>	<u>9,597,469</u>	<u>13,010,428</u>	<u>36,126,615</u>	<u>41,556,018</u>

(continued)

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**UNAUDITED**

Table 2  
Change in Net Assets  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$7,355,049	\$5,214,153	\$ 0	\$ 0	\$7,355,049	\$ 5,214,153
Fire	6,518,445	7,700,990	0	0	6,518,445	7,700,990
Other	296,923	218,580	0	0	296,923	218,580
Public Health	1,232,594	1,169,331	0	0	1,232,594	1,169,331
Leisure Time Activities	1,461,268	1,401,953	0	0	1,461,268	1,401,953
Community Environment	1,258,080	729,756	0	0	1,258,080	729,756
Transportation						
Transit	953,341	855,703	0	0	953,341	855,703
Other	5,170,585	5,361,031	0	0	5,170,585	5,361,031
General Government						
Court	839,695	900,157	0	0	839,695	900,157
Other	4,493,935	3,248,122	0	0	4,493,935	3,248,122
Interest and Fiscal Charges	177,152	215,063	0	0	177,152	215,063
Sewer	0	0	5,864,515	5,854,979	5,864,515	5,854,979
Sanitation	0	0	2,200,037	4,418,705	2,200,037	4,418,705
Landfill	0	0	67,918	83,300	67,918	83,300
Storm Water	0	0	1,777,633	1,489,054	1,777,633	1,489,054
Total Expenses	<u>29,757,067</u>	<u>27,014,839</u>	<u>9,910,103</u>	<u>11,846,038</u>	<u>39,667,170</u>	<u>38,860,877</u>
Increase (Decrease) in Net Assets Before Transfers	(3,227,921)	1,530,751	(312,634)	1,164,390	(3,540,555)	2,695,141
Transfers	<u>273,379</u>	<u>0</u>	<u>(273,379)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	(2,954,542)	1,530,751	(586,013)	1,164,390	(3,540,555)	2,695,141
Net Assets Beginning of Year	<u>65,015,107</u>	<u>63,484,356</u>	<u>13,343,196</u>	<u>12,178,806</u>	<u>78,358,303</u>	<u>75,663,162</u>
Net Assets End of Year	<u>\$62,060,565</u>	<u>\$65,015,107</u>	<u>\$12,757,183</u>	<u>\$13,343,196</u>	<u>\$74,817,748</u>	<u>\$78,358,303</u>

The above table reflects the revenues and expenses for operating the City during 2008. Both program revenues and general revenues decreased from the prior year (7 percent overall). The largest portion of this decrease is reflected in program revenues with a decrease in charges for services related to economic development activities. Capital grants and contributions also decreased due to a reduction in monies received for airport improvements; however, operating grants and contributions increased resulting from monies for CDBG and CHIP related activities. General revenues remained fairly comparable to the prior year with the exception of the decrease in interest revenue, a reflection of declining economic conditions within the City, County and State.

**CITY OF MARION, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**UNAUDITED**

There was a 10 percent increase in total expenses in 2008. The changes in the security of persons and property program included an increase in the police department (additional officers, an increase in health care costs, higher fuel costs, and some new software) and a decrease in the fire department (did not replace some individuals who left employment with the City). The police and fire department continue to be the largest governmental activities expense making up 47 percent of the City's total expenses. The increase in the general government program is a combination of salary and related benefit increases, an increase in health care costs, and a significant investment in new finance related software.

As is to be expected, 98 percent of the revenues for business-type activities are received through charges for services provided to the users of the utility systems

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Security of Persons and Property				
Police	\$7,355,049	\$5,214,153	\$7,176,948	\$4,950,288
Fire	6,518,445	7,700,990	5,381,267	6,135,941
Other	296,923	218,580	296,923	218,580
Public Health	1,232,594	1,169,331	316,235	314,069
Leisure Time Activities	1,461,268	1,401,953	1,144,996	1,133,762
Community Environment	1,258,080	729,756	652,177	(1,133,235)
Transportation				
Transit	953,341	855,703	59,096	167,850
Other	5,170,585	5,361,031	2,898,275	3,037,763
General Government				
Court	839,695	900,157	(415,897)	(148,155)
Other	4,493,935	3,248,122	4,304,382	2,832,083
Interest and Fiscal Charges	177,152	215,063	177,152	215,063
Total Expenses	<u>\$29,757,067</u>	<u>\$27,014,839</u>	<u>\$21,991,554</u>	<u>\$17,724,009</u>

While the dependence on general revenues (primarily municipal income taxes) to pay for the various services provided by the City is significant, program revenues in several of the programs provide for a considerable portion of the costs. For example, charges for services and operating grants restricted for public health purposes provided for 74 percent of the costs of this program. Various operating grants, generally the CDBG and CHIP programs, while less in 2008, still provided for 48 percent of the costs of the community environment program. Charges for services and various grants and contributions provided for 48 percent of transportation costs (the transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes). Lastly, court related fines and charges provided program revenues in excess of costs in 2008.

**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Street, Construction, Maintenance, and Repair special revenue fund, and the Tax Incremental Financing capital projects fund. The General Fund experienced a 23 percent decrease in fund balance from the prior year. Although revenues exceeded expenditures for the year, the decrease is the result of operating subsidies provided to other funds. The Street Construction, Maintenance, and Repair fund had a 71 percent increase in fund balance. Revenues increased somewhat from moderate increases in income taxes and intergovernmental sources (generally gas taxes and motor vehicle license taxes) and expenditures decreased from fewer and/or less costly projects. In addition, this fund received a subsidy from the General Fund of approximately \$709,000. This combination of factors led to the overall increase in fund balance. Receiving less revenue from payment in lieu of taxes contributed to the decrease in fund balance in the Tax Incremental Financing Fund.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Sewer, Sanitation, Landfill, and Storm Water funds. The changes in net assets were not significant for any of these funds in 2008.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital Assets* - The City's investment in capital assets for governmental and business-type activities as of December 31, 2008, was \$56,813,758 and \$38,328,329, respectively (net of accumulated depreciation). The most significant additions for governmental activities included street related construction, new vehicles, and completed street improvements. The most significant additions for business-type activities were sewer lines and storm water lines. Disposals were minimal. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

*Debt* - At December 31, 2008, the City had \$4,430,000 in bond anticipation notes payable from governmental activities and \$8,625,000 in bond anticipation notes payable from business-type activities. The City also had a number of long-term obligations outstanding including \$6,175,389 in general obligation bonds, \$929,716 in loans for an ODOT related project, \$1,453,872 in Ohio Public Works Commission loans, \$449,500 in capital loans, and \$21,578,955 in Ohio Water Development Authority loans. Of this debt, \$28,306,979 will be paid from business-type activities.

In addition, the City's long-term obligations also include capital leases, compensated absences, the liability associated with the future payment of landfill postclosure costs. For further information regarding the City's debt, refer to Notes 17, 18, 19, and 20 to the basic financial statements.

**CITY OF MARION, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

CURRENT ISSUES

As we progress through 2009 and start projecting issues for 2010, we have some real concerns for our City. We have lost about \$500,000 in revenues due to job losses. We are looking at making budget cuts for the remaining part of 2009 and into 2010's budget. We continue to meet with the Mayor and his staff bi-weekly and are now reviewing the budget monthly with City Council.

The projected increase in health care costs for 2010 is between 12 and 17 percent. This continues to have a huge impact on our budget.

Six out of the City's seven contracts have been negotiated. The Steelworker's and AFSME employees have done a great job in working with the City to maintain jobs by agreeing to no salary increase.

On a positive note, we are moving forward with the new software the City purchased last October. As of July 1, 2009, the City is now live on the new finance related software. Utility billing is underway and we will be starting payroll/HR very soon. This software will improve workflow and efficiency, reduce the potential for errors and the chances of fraud by putting tighter audit controls in place.

The software is also being updated in the income tax department. With the new software, citizens will be able to file on-line which will reduce the costs of forms and postage. The City is also considering implementing mandatory filing.

On June 24, 2009, the City issued \$1,580,000 in bond anticipation notes to retire notes previously issued for constructing and extending Lakes Boulevard, and for improving Barks Road. In addition, \$3,175,000 in bond anticipation notes were issued for constructing a portion of Forest Lawn Boulevard and Blaine Avenue and for acquiring software and equipment.

Our community continues working towards the new Health District which will take effect January 1, 2010. Final details for this transition are still being worked out.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Kelly L. Carr, City Auditor, City of Marion, 233 West Center Street, Marion, Ohio 43302.



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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:-</b>			
Equity in pooled cash and cash equivalents	\$ 8,372,756	\$ 10,081,501	\$ 18,454,257
Accounts receivable	1,294,796	4,610,602	5,905,398
Accrued interest receivable	87,212	0	87,212
Due from other governments	2,092,671	2,174	2,094,845
Due from External Parties	5,861	0	5,861
Municipal income taxes receivable	2,893,800	0	2,893,800
Internal balances	( 111,862)	111,862	0
Prepaid items	154,708	71,574	226,282
Materials and supplies inventory	114,739	78,233	192,972
Property taxes receivable	1,494,691	0	1,494,691
Payment in lieu of taxes receivable	2,856,717	0	2,856,717
Notes receivable	1,104,526	0	1,104,526
Nondepreciable capital assets	10,284,493	699,886	10,984,379
Depreciable capital assets, net	46,529,265	37,628,443	84,157,708
<b>TOTAL ASSETS</b>	<u>77,174,373</u>	<u>53,284,275</u>	<u>130,458,648</u>
<b>LIABILITIES:-</b>			
Accounts payable	676,428	124,326	800,754
Retainage payable	7,248	18,539	25,787
Accrued wages and benefits	370,284	67,987	438,271
Contracts payable	281,838	137,879	419,717
Due to other governments	1,365,698	134,705	1,500,403
Accrued interest payable	64,683	90,857	155,540
Notes payable	2,850,000	8,625,000	11,475,000
Deferred revenue	1,327,467	0	1,327,467
Long-term liabilities:-			
Due within one year	2,455,113	2,149,202	4,604,315
Due in more than one year	5,715,049	29,178,597	34,893,646
<b>TOTAL LIABILITIES</b>	<u>15,113,808</u>	<u>40,527,092</u>	<u>55,640,900</u>
<b>NET ASSETS:-</b>			
Invested in capital assets, net of related debt	52,708,806	9,611,372	62,320,178
Restricted for:-			
Capital projects	4,319,245	0	4,319,245
Street construction, maintenance and repair	1,008,399	0	1,008,399
Other purposes	2,181,254	0	2,181,254
Unrestricted	1,842,861	3,145,811	4,988,672
<b>TOTAL NET ASSETS</b>	<u>\$ 62,060,565</u>	<u>\$ 12,757,183</u>	<u>\$ 74,817,748</u>

See accompanying Notes to the Basic Financial Statements.

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

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Cha</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governm</u>	
					<u>Governmental Activities</u>	<u>Business-Activities</u>
<b>Governmental Activities:-</b>						
Security of persons and property						
Police	\$ 7,355,049	\$ 50,742	\$ 127,359	\$ 0	\$ ( 7,176,948)	\$ 0
Fire	6,518,445	1,120,905	16,273	0	( 5,381,267)	0
Other	296,923	0	0	0	( 296,923)	0
Public health	1,232,594	305,291	611,068	0	( 316,235)	0
Leisure time activity	1,461,268	101,074	215,198	0	( 1,144,996)	0
Community environment	1,258,080	0	605,903	0	( 652,177)	0
Transportation						
Transit	953,341	113,501	681,560	99,184	( 59,096)	0
Other	5,170,585	190,473	1,681,629	400,208	( 2,898,275)	0
General government						
Court	839,695	1,255,592	0	0	415,897	0
Other	4,493,935	28,568	160,985	0	( 4,304,382)	0
Interest and fiscal charges	177,152	0	0	0	( 177,152)	0
<b>Total governmental activities</b>	<u>29,757,067</u>	<u>3,166,146</u>	<u>4,099,975</u>	<u>499,392</u>	<u>( 21,991,554)</u>	<u>0</u>
<b>Business-type Activities:-</b>						
Sewer	5,864,515	5,633,817	0	0	0	( 230,698)
Sanitation	2,200,037	2,178,230	0	0	0	( 21,807)
Landfill	67,918	387,799	0	0	0	319,881
Storm sewer	1,777,633	1,182,881	0	0	0	( 594,752)
<b>Total business-type activities</b>	<u>9,910,103</u>	<u>9,382,727</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 527,376)</u>
<b>Total primary government</b>	<u>\$ 39,667,170</u>	<u>\$ 12,548,873</u>	<u>\$ 4,099,975</u>	<u>\$ 499,392</u>	<u>( 21,991,554)</u>	<u>( 527,376)</u>
<b>General Revenues:-</b>						
Property taxes levied for general purposes				1,219,923		0
Property taxes levied for police and fire pension				221,481		0
Municipal income taxes levied for general purposes				13,175,181		0
Municipal income taxes levied for street construction, maintenance and repair				446,556		0
Municipal income taxes levied for capital improvements				390,458		0
Grants and entitlements not restricted to specific programs				2,472,533		0
Franchise fees				171,252		0
Interest				392,497		124,191
Other				273,752		90,551
<b>Total general revenues</b>				<u>18,763,633</u>		<u>214,742</u>
Transfers				<u>273,379</u>		<u>( 273,379)</u>
<b>Total general revenues and transfers</b>				<u>19,037,012</u>		<u>( 58,637)</u>
Change in net assets				<u>( 2,954,542)</u>		<u>( 586,013)</u>
<b>Net assets at beginning of year</b>				<u>65,015,107</u>		<u>13,343,196</u>
<b>Net assets at end of year</b>				<u>\$ 62,060,565</u>		<u>\$ 12,757,183</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2008**

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Tax Incremental Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS:-</b>					
Equity in pooled cash and cash equivalents	\$ 2,145,982	\$ 775,680	\$ 956,952	\$ 4,315,529	\$ 8,194,143
Accounts receivable	1,289,918	0	0	4,878	1,294,796
Accrued interest receivable	87,212	0	0	0	87,212
Due from other governments	1,047,362	659,088	0	386,221	2,092,671
Due from external parties	5,861	0	0	0	5,861
Municipal income taxes receivable	2,720,172	86,814	0	86,814	2,893,800
Interfund receivable	1,137,376	0	0	1,123	1,138,499
Prepaid items	123,234	12,166	0	14,665	150,065
Materials and supplies inventory	25,316	0	0	2,624	27,940
Property taxes receivable	1,265,899	0	0	228,792	1,494,691
Payment in lieu of taxes receivable	0	0	2,856,717	0	2,856,717
Notes receivable	0	0	0	1,104,526	1,104,526
<b>Total assets</b>	<u>\$ 9,848,332</u>	<u>\$ 1,533,748</u>	<u>\$ 3,813,669</u>	<u>\$ 6,145,172</u>	<u>\$ 21,340,921</u>
<b>LIABILITIES:-</b>					
Accrued wages payable	\$ 307,328	\$ 28,822	\$ 0	\$ 28,218	\$ 364,368
Retainage payable	0	0	0	7,248	7,248
Accounts payable	239,973	33,646	0	392,487	666,106
Contracts payable	0	109,710	0	172,128	281,838
Matured compensated absences payable	0	0	0	0	0
Due to other governments	1,089,858	70,240	0	194,172	1,354,270
Interfund payable	18,644	24,125	0	1,155,493	1,198,262
Accrued interest payable	0	0	0	11,322	11,322
Notes payable	0	0	0	1,450,000	1,450,000
Deferred revenue	4,983,822	603,647	2,856,717	516,406	8,960,592
<b>Total liabilities</b>	<u>6,639,625</u>	<u>870,190</u>	<u>2,856,717</u>	<u>3,927,474</u>	<u>14,294,006</u>
<b>FUND BALANCES:-</b>					
Reserved for encumbrances	78,612	379,767	22,937	721,512	1,202,828
Reserved for notes receivable	0	0	0	1,063,603	1,063,603
Reserved for interfund receivable	374,000	0	0	0	374,000
Unreserved, designated for termination benefits	0	0	0	709,112	709,112
Unreserved, reported in:-					
General fund	2,756,095	0	0	0	2,756,095
Special revenue funds	0	283,791	0	1,070,158	1,353,949
Capital projects fund (deficit)	0	0	934,015	( 1,346,687)	( 412,672)
<b>Total fund balance</b>	<u>3,208,707</u>	<u>663,558</u>	<u>956,952</u>	<u>2,217,698</u>	<u>7,046,915</u>
<b>Total liabilities and fund balance</b>	<u>\$ 9,848,332</u>	<u>\$ 1,533,748</u>	<u>\$ 3,813,669</u>	<u>\$ 6,145,172</u>	<u>\$ 21,340,921</u>

See accompanying Notes to the Basic Financial Statements.

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

**Total governmental fund balances** \$ 7,046,915

*Amounts reported for governmental activities on the statement of net assets are different because of the following:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental activities	\$ 56,813,758	
Internal service fund	( 1,810,447)	
		55,003,311

Other long-term assets are not available to pay for current period

Accounts receivable	1,252,778	
Accrued interest receivable	68,593	
Due from other governments	1,592,010	
Municipal income taxes receivable	1,695,803	
Payment in lieu of taxes receivable	2,856,717	
Property taxes receivable	167,224	
		7,633,125

An internal balance is recorded in governmental activities to reflect overpayment to the internal service fund by the business-type activities.

( 125,684)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	( 42,429)	
Notes payable	( 1,580,000)	
General obligations bonds payable	( 815,000)	
ODOT DRIP TIF loan payable	( 929,716)	
OPWC loans payable	( 86,537)	
Capital loans payable	( 449,500)	
Capital leases payable	( 77,566)	
Compensated absences payable	( 4,231,843)	
Compensated absences payable - internal service fund	53,998	
		( 8,158,593)

An internal service fund is used by management to charge the cost of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.

661,491

**Net assets of governmental activities** **\$ 62,060,565**

See accompanying Notes to the Basic Financial Statements.

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

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Tax Incremental Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>REVENUES:-</b>					
Property taxes	\$ 1,185,862	\$ 0	\$ 0	\$ 215,323	\$ 1,401,185
Payment in lieu of taxes	0	0	338,367	0	338,367
Municipal income taxes	13,270,042	449,584	0	393,486	14,113,112
Charges for services	1,182,384	3,670	0	174,909	1,360,963
Fees, licenses and permits	266,747	13,200	0	0	279,947
Fines and forfeitures	1,079,571	0	0	218,409	1,297,980
Intergovernmental	2,879,405	1,448,567	0	2,589,238	6,917,210
Interest	324,632	8,652	32,537	50,602	416,423
Other	227,836	3,327	6,873	76,674	314,710
Total revenues	<u>20,416,479</u>	<u>1,927,000</u>	<u>377,777</u>	<u>3,718,641</u>	<u>26,439,897</u>
<b>EXPENDITURES:-</b>					
Current:-					
Security of persons and property					
Police	6,906,095	0	0	491,115	7,397,210
Fire	6,022,562	0	0	172,539	6,195,101
Other	257,366	0	0	39,557	296,923
Public health	1,231,500	0	0	0	1,231,500
Leisure time activity	653,839	0	0	817,254	1,471,093
Community environment	381,272	0	0	969,755	1,351,027
Transportation					
Transit	0	0	0	1,117,012	1,117,012
Other	406,415	2,420,657	0	345,734	3,172,806
General government					
Court	683,974	0	0	140,686	824,660
Other	3,070,608	0	441,944	675,527	4,188,079
Debt service:-					
Principal retirement	0	0	191,818	155,080	346,898
Interest and fiscal charges	0	0	94,933	95,821	190,754
Total expenditures	<u>19,613,631</u>	<u>2,420,657</u>	<u>728,695</u>	<u>5,020,080</u>	<u>27,783,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>802,848</u>	<u>( 493,657)</u>	<u>( 350,918)</u>	<u>( 1,301,439)</u>	<u>( 1,343,166)</u>
<b>OTHER FINANCING SOURCES (USES):-</b>					
Bond anticipation notes issued	0	0	1,580,000	0	1,580,000
Current refunding	0	0	( 1,580,000)	0	( 1,580,000)
Sale of capital assets	7,650	0	0	1,050	8,700
Transfers in	0	708,700	25,229	999,015	1,732,944
Transfers out	( 1,707,715)	( 25,229)	0	0	( 1,732,944)
Total other financing sources (uses)	<u>( 1,700,065)</u>	<u>683,471</u>	<u>25,229</u>	<u>1,000,065</u>	<u>8,700</u>
Changes in fund balances	( 897,217)	189,814	( 325,689)	( 301,374)	( 1,334,466)
<b>Fund balances at beginning of year</b>	<u>4,105,924</u>	<u>473,744</u>	<u>1,282,641</u>	<u>2,519,072</u>	<u>8,381,381</u>
<b>Fund balances at end of year</b>	<u>\$ 3,208,707</u>	<u>\$ 663,558</u>	<u>\$ 956,952</u>	<u>\$ 2,217,698</u>	<u>\$ 7,046,915</u>

See accompanying Notes to the Basic Financial Statements.

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

**Net change in fund balances - total governmental funds** \$ ( 1,334,466)

*Amounts reported for governmental activities in the statement of activities are different because of the following:*

Government funds report capital outlays as expenditures. However, on 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 depreciation exceeded capital outlays in the current year.

Capital outlay - non-depreciable capital assets	\$	216,555	
Capital outlay - depreciable capital assets		493,236	
Capital contributions		347,595	
Depreciation	(	2,774,133)	
Depreciation - internal service fund		<u>47,463</u>	( 1,669,284)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from sale of capital assets	(	8,700)	
Loss on disposal of capital assets	(	<u>178,842</u> )	( 187,542)

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

Property taxes		40,219	
Payment in lieu of taxes	(	338,367)	
Municipal income taxes	(	100,917)	
Charges for services		395,583	
Fees, licenses and permits		2,359	
Fines and forfeitures		566	
Intergovernmental		42,456	
Interest		<u>18,564</u>	60,463

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

Notes payable		1,580,000	
General obligations bond payable		50,000	
ODOT DRIP TIF		185,408	
OPWC loans payable		6,410	
Capital loans payable		68,628	
Capital leases payable		<u>36,452</u>	1,926,898

Note proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets ( 1,580,000)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets 13,602

Compensated absences reported on 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	(	211,060)	
Compensated absences payable - internal service fund	(	<u>15,195</u> )	( 226,255)

An internal service fund is used by management to charge the costs of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. 42,042

**Change in net assets of governmental activities** \$ ( 2,954,542)

See accompanying Notes to the Basic Financial Statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:-</b>				
Municipal income taxes	\$ 13,474,100	\$ 13,474,100	\$ 13,077,257	\$ ( 396,843)
Property taxes	1,102,285	1,102,285	1,185,862	83,577
Charges for services	1,156,703	1,438,708	1,210,711	( 227,997)
Fees, licenses and permits	212,086	270,591	266,747	( 3,844)
Fines and forfeitures	997,742	998,742	1,079,262	80,520
Intergovernmental	2,340,395	2,819,133	2,877,679	58,546
Interest	464,710	464,710	342,913	( 121,797)
Other	21,771	23,021	48,742	25,721
Total revenues	<u>19,769,792</u>	<u>20,591,290</u>	<u>20,089,173</u>	<u>( 502,117)</u>
<b>EXPENDITURES:-</b>				
Current:-				
Security of persons and property				
Police	6,794,529	6,878,647	6,851,956	26,691
Fire	6,067,103	6,049,162	5,941,700	107,462
Other	326,845	326,845	282,269	44,576
Public health	1,298,033	1,358,512	1,226,615	131,897
Leisure time activity	733,976	714,076	652,052	62,024
Community environment	380,500	381,272	381,272	0
Transportation				
Other	513,580	485,101	438,926	46,175
General government				
Court	769,021	804,086	725,397	78,689
Other	3,207,630	3,253,960	3,192,537	61,423
Total expenditures	<u>20,091,217</u>	<u>20,251,661</u>	<u>19,692,724</u>	<u>558,937</u>
Excess of revenues over (under) expenditures	<u>( 321,425)</u>	<u>339,629</u>	<u>396,449</u>	<u>56,820</u>
<b>OTHER FINANCING SOURCES (USES):-</b>				
Other financing sources	160,195	239,695	177,390	( 62,305)
Sale of capital assets	0	0	7,650	7,650
Advances in	27,000	27,000	27,000	0
Advances out	0	( 500,000)	( 500,000)	0
Transfers out	( 1,758,029)	( 1,758,029)	( 1,707,715)	50,314
Total other financing sources (uses)	<u>( 1,570,834)</u>	<u>( 1,991,334)</u>	<u>( 1,995,675)</u>	<u>( 4,341)</u>
Changes in fund balance	( 1,892,259)	( 1,651,705)	( 1,599,226)	52,479
<b>Fund balance at beginning of year</b>	3,276,816	3,276,816	3,276,816	0
<b>Prior year encumbrances appropriated</b>	<u>199,446</u>	<u>199,446</u>	<u>199,446</u>	<u>0</u>
<b>Fund balance at end of year</b>	<u>\$ 1,584,003</u>	<u>\$ 1,824,557</u>	<u>\$ 1,877,036</u>	<u>\$ 52,479</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MARION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:-</b>				
Municipal income taxes	\$ 396,707	\$ 466,708	\$ 443,431	\$ ( 23,277)
Charges for services	5,000	5,197	3,670	( 1,527)
Fees, licenses and permits	20,000	20,712	13,200	( 7,512)
Intergovernmental	1,475,000	1,553,444	1,454,889	( 98,555)
Interest	10,000	10,466	8,652	( 1,814)
Other	500	670	3,146	2,476
Total revenues	<u>1,907,207</u>	<u>2,057,197</u>	<u>1,926,988</u>	<u>( 130,209)</u>
<b>EXPENDITURES:-</b>				
Current:-				
Transportation	<u>3,217,918</u>	<u>3,339,068</u>	<u>2,794,556</u>	<u>544,512</u>
Total expenditures	<u>3,217,918</u>	<u>3,339,068</u>	<u>2,794,556</u>	<u>544,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 1,310,711)</u>	<u>( 1,281,871)</u>	<u>( 867,568)</u>	<u>414,303</u>
<b>OTHER FINANCING SOURCES (USES):-</b>				
Other financing sources	3,000	3,010	181	( 2,829)
Transfers in	715,714	715,714	708,700	( 7,014)
Transfers out	<u>( 25,229)</u>	<u>( 25,229)</u>	<u>( 25,229)</u>	<u>0</u>
Total other financing sources (uses)	<u>693,485</u>	<u>693,495</u>	<u>683,652</u>	<u>( 9,843)</u>
Changes in fund balance	<u>( 617,226)</u>	<u>( 588,376)</u>	<u>( 183,916)</u>	<u>404,460</u>
<b>Fund balance at beginning of year</b>	304,048	304,048	304,048	0
<b>Prior year encumbrances appropriated</b>	<u>165,307</u>	<u>165,307</u>	<u>165,307</u>	<u>0</u>
<b>Fund balance at end of year</b>	<u>\$ ( 147,871)</u>	<u>\$ ( 119,021)</u>	<u>\$ 285,439</u>	<u>\$ 404,460</u>

See accompanying Notes to the Basic Financial Statements.



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

	<b>Business-type Activities -Enterprise Funds</b>				<b>Total Enterprise</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Sanitation</b>	<b>Landfill</b>	<b>Storm Water</b>		<b>Internal Service</b>
<b>ASSETS:-</b>						
Current assets:-						
Equity in pooled cash and cash equivalents	\$ 5,103,579	\$ 428,974	\$ 0	\$ 4,311,215	\$ 9,843,768	\$ 178,613
Accounts receivable	1,951,544	2,126,545	0	532,513	4,610,602	0
Due from other governments	2,174	0	0	0	2,174	0
Interfund receivable	619	0	0	0	619	73,585
Prepaid items	53,851	13,163	0	4,560	71,574	4,643
Materials and supplies inventory	77,616	304	0	313	78,233	86,799
<b>Total current assets</b>	<b>7,189,383</b>	<b>2,568,986</b>	<b>0</b>	<b>4,848,601</b>	<b>14,606,970</b>	<b>343,640</b>
Restricted assets:-						
Equity in pooled cash and cash equivalents	0	0	237,733	0	237,733	0
Nondepreciable capital assets	537,315	0	162,571	0	699,886	61,943
Depreciable capital assets, net	24,205,810	659,021	0	12,763,612	37,628,443	1,748,504
<b>Total non-current assets</b>	<b>24,743,125</b>	<b>659,021</b>	<b>400,304</b>	<b>12,763,612</b>	<b>38,566,062</b>	<b>1,810,447</b>
<b>Total assets</b>	<b>31,932,508</b>	<b>3,228,007</b>	<b>400,304</b>	<b>17,612,213</b>	<b>53,173,032</b>	<b>2,154,087</b>
<b>LIABILITIES:-</b>						
Current liabilities:-						
Accrued wages payable	45,886	20,866	0	1,235	67,987	5,916
Accounts payable	101,229	7,164	8,509	7,424	124,326	10,322
Contracts payable	0	0	0	137,879	137,879	0
Compensated absences payable	87,016	22,065	0	2,378	111,459	8,793
Due to other governments	87,525	38,229	300	8,651	134,705	11,428
Interfund payable	575	11,747	619	1,500	14,441	0
Accrued interest payable	42,660	0	0	48,197	90,857	10,932
Notes payable	4,400,400	0	0	4,224,600	8,625,000	1,400,000
Retainage payable	0	0	0	18,539	18,539	0
General obligation bonds payable	120,000	0	0	220,000	340,000	0
OWDA loans payable	1,301,240	0	153,385	0	1,454,625	0
OPWC loans payable	106,803	0	0	13,086	119,889	0
Capital leases payable	0	41,143	0	0	41,143	0
Postclosure costs payable	0	0	82,086	0	82,086	0
<b>Total current liabilities</b>	<b>6,293,334</b>	<b>141,214</b>	<b>244,899</b>	<b>4,683,489</b>	<b>11,362,936</b>	<b>1,447,391</b>
Non-current liabilities:-						
Compensated absences payable	333,100	96,806	0	8,876	438,782	45,205
General obligation bonds payable	1,772,782	0	0	3,247,907	5,020,689	0
OWDA loans payable	19,051,536	0	1,072,794	0	20,124,330	0
OPWC loans payable	1,078,183	0	0	169,263	1,247,446	0
Postclosure costs payable	0	0	2,347,350	0	2,347,350	0
<b>Total non-current liabilities</b>	<b>22,235,601</b>	<b>96,806</b>	<b>3,420,144</b>	<b>3,426,046</b>	<b>29,178,597</b>	<b>45,205</b>
<b>Total liabilities</b>	<b>28,528,935</b>	<b>238,020</b>	<b>3,665,043</b>	<b>8,109,535</b>	<b>40,541,533</b>	<b>1,492,596</b>
<b>NET ASSETS:-</b>						
Invested in capital assets, net of related debt	2,117,567	617,878	162,571	6,713,356	9,611,372	410,447
Unrestricted (deficit)	1,286,006	2,372,109	( 3,427,310)	2,789,322	3,020,127	251,044
<b>Total net assets (deficit)</b>	<b>\$ 3,403,573</b>	<b>\$ 2,989,987</b>	<b>\$ ( 3,264,739)</b>	<b>\$ 9,502,678</b>	<b>12,631,499</b>	<b>\$ 661,491</b>
Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the net assets of the internal service fund						
					125,684	
<b>Net assets of business-type activities</b>					<b>\$ 12,757,183</b>	

See accompanying Notes to the Basic Financial Statements.

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

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total Enterprise</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Sanitation</b>	<b>Landfill</b>	<b>Storm Water</b>		<b>Internal Service</b>
<b>OPERATING REVENUES:-</b>						
Charges for services	\$ 5,633,817	\$ 2,178,230	\$ 387,799	\$ 1,182,881	\$ 9,382,727	\$ 1,117,315
Other	26,247	27,784	0	36,520	90,551	8,360
<b>Total operating revenues</b>	<b>5,660,064</b>	<b>2,206,014</b>	<b>387,799</b>	<b>1,219,401</b>	<b>9,473,278</b>	<b>1,125,675</b>
<b>OPERATING EXPENSES:-</b>						
Personal services	1,960,106	1,095,643	0	540,257	3,596,006	258,545
Travel and transportation	588	42	0	43	673	0
Contract services	959,394	773,038	8,128	224,688	1,965,248	82,162
Materials and supplies	548,835	99,924	1,641	285,213	935,613	625,226
Bad debt	0	158,524	0	0	158,524	0
Depreciation	1,877,542	78,290	0	410,734	2,366,566	47,463
Other	3,574	0	0	0	3,574	0
<b>Total operating expenses</b>	<b>5,350,039</b>	<b>2,205,461</b>	<b>9,769</b>	<b>1,460,935</b>	<b>9,026,204</b>	<b>1,013,396</b>
<b>Operating income (loss)</b>	<b>310,025</b>	<b>553</b>	<b>378,030</b>	<b>( 241,534)</b>	<b>447,074</b>	<b>112,279</b>
<b>NONOPERATING REVENUES (EXPENSES):-</b>						
Interest revenue	69,093	0	0	55,098	124,191	0
Interest expense	( 515,265)	( 3,057)	( 58,149)	( 317,290)	( 893,761)	( 60,375)
<b>Total nonoperating revenues (expenses)</b>	<b>( 446,172)</b>	<b>( 3,057)</b>	<b>( 58,149)</b>	<b>( 262,192)</b>	<b>( 769,570)</b>	<b>( 60,375)</b>
<b>Income (loss) before contributions and transfers</b>	<b>( 136,147)</b>	<b>( 2,504)</b>	<b>319,881</b>	<b>( 503,726)</b>	<b>( 322,496)</b>	<b>51,904</b>
Capital contributions	45,430	0	0	0	45,430	0
Transfers in	8,025	0	0	9,777	17,802	0
Transfers out	( 9,777)	0	0	( 326,834)	( 336,611)	0
<b>Changes in net assets</b>	<b>( 92,469)</b>	<b>( 2,504)</b>	<b>319,881</b>	<b>( 820,783)</b>	<b>( 595,875)</b>	<b>51,904</b>
<b>Net assets (deficit) at beginning of year</b>	<b>3,496,042</b>	<b>2,992,491</b>	<b>( 3,584,620)</b>	<b>10,323,461</b>		<b>609,587</b>
<b>Net assets (deficit) at end of year</b>	<b>\$ 3,403,573</b>	<b>\$ 2,989,987</b>	<b>\$ ( 3,264,739)</b>	<b>\$ 9,502,678</b>		<b>\$ 661,491</b>
The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.					9,862	
<b>Change in net assets of business-type activities</b>					<b>\$ (586,013)</b>	

See accompanying Notes to the Basic Financial Statements.

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

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total Enterprise</b>	<b>Internal Service</b>
	<b>Sewer</b>	<b>Sanitation</b>	<b>Landfill</b>	<b>Storm Water</b>		
<b>CASH FLOWS FROM OPERATION ACTIVITIES:-</b>						
Cash received from customers	\$ 5,480,369	\$ 1,808,167	\$ 387,799	\$ 1,164,573	\$ 8,840,908	\$ 1,133,516
Cash payments for personal services	( 1,890,495)	( 1,058,601)	0	( 536,079)	( 3,485,175)	( 271,405)
Cash payments for contract services	( 970,022)	( 835,158)	( 98,152)	( 213,635)	( 2,116,967)	( 82,942)
Cash payments to vendors	( 568,548)	( 102,787)	( 1,574)	( 138,371)	( 811,280)	( 674,391)
Cash received other revenues	26,247	27,784	0	36,520	90,551	8,360
Cash payments for other expenses	( 3,000)	0	0	0	( 3,000)	0
Net cash provided by (used in) operating activities	<u>2,074,551</u>	<u>( 160,595)</u>	<u>288,073</u>	<u>313,008</u>	<u>2,515,037</u>	<u>113,138</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:-</b>						
Transfers out	( 9,777)	0	0	( 326,834)	( 336,611)	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:-</b>						
Principal paid on bond anticipation notes	( 3,040,000)	0	0	( 2,400,000)	( 5,440,000)	( 1,400,000)
Principal paid on general obligation bonds	( 115,000)	0	0	( 210,000)	( 325,000)	0
Principal paid on OWDA loans	( 1,215,139)	0	( 146,925)	0	( 1,362,064)	0
Principal paid on OPWC loans	( 106,803)	0	0	( 13,086)	( 119,889)	0
Lease principal	0	( 80,261)	0	0	( 80,261)	0
Interest paid on bond anticipation notes	( 137,307)	0	0	( 111,136)	( 248,443)	( 60,950)
Interest paid on general obligation bonds	( 105,020)	0	0	( 192,385)	( 297,405)	0
Interest paid on OWDA loans	( 263,278)	0	( 58,149)	0	( 321,427)	0
Lease interest	0	( 3,057)	0	0	( 3,057)	0
Bond anticipation notes issued	4,400,400	0	0	4,224,600	8,625,000	1,400,000
Acquisition of capital assets	( 62,449)	0	0	( 151,880)	( 214,329)	0
Net cash used for capital and related financing activities	<u>( 644,596)</u>	<u>( 83,318)</u>	<u>( 205,074)</u>	<u>1,146,113</u>	<u>213,125</u>	<u>( 60,950)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>						
Interest	69,093	0	0	55,098	124,191	0
Net increase (decrease) in cash and cash equivalents	1,489,271	( 243,913)	82,999	1,187,385	2,515,742	52,188
<b>Cash and cash equivalents at beginning of year</b>	<u>3,614,308</u>	<u>672,887</u>	<u>154,734</u>	<u>3,123,830</u>	<u>7,565,759</u>	<u>126,425</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 5,103,579</u>	<u>\$ 428,974</u>	<u>\$ 237,733</u>	<u>\$ 4,311,215</u>	<u>\$ 10,081,501</u>	<u>\$ 178,613</u>
<b>RECONCILIATION OF OPERATION INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-</b>						
Operating income (loss)	\$ 310,025	\$ 553	\$ 378,030	\$ ( 241,534)	\$ 447,074	\$ 112,279
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-</b>						
Allowance for Uncollectibles	0	158,524	0	0	158,524	0
Depreciation	1,877,542	78,290	0	410,734	2,366,566	47,463
<b>Changes in assets and liabilities:-</b>						
Increase in accounts receivable	( 155,682)	( 370,063)	0	( 18,308)	( 544,053)	0
Increase in due from other governments	( 2,174)	0	0	0	( 2,174)	0
Decrease in interfund receivable	4,408	0	0	0	4,408	16,201
Decrease in prepaid items	2,053	670	0	445	3,168	363
(Increase) decrease in materials and supplies inventory	( 10,542)	( 158)	0	( 162)	( 10,862)	( 3,667)
Increase in accrued wages payable	12,683	5,730	0	346	18,759	1,232
Increase (decrease) in accounts payable	( 11,224)	( 17,347)	( 10,476)	639	( 38,408)	( 46,467)
Increase in contracts payable	0	0	0	137,879	137,879	0
Increase (decrease) in due to other governments	7,872	( 36,928)	176	2,332	( 26,548)	1,006
Increase (decrease) in interfund payable	356	( 1,021)	( 3,400)	1,270	( 2,795)	( 77)
Increase in retainage payable	0	0	0	18,539	18,539	0
Increase (decrease) in compensated absences payable	39,234	21,155	0	828	61,217	( 15,195)
Decrease in postclosure costs payable	0	0	( 76,257)	0	( 76,257)	0
Net cash provided by operating activities	<u>\$ 2,074,551</u>	<u>( 160,595)</u>	<u>288,073</u>	<u>313,008</u>	<u>2,515,037</u>	<u>113,138</u>

**Non -Cash Capital Transactions**

In 2008, the Sewer Enterprise Fund purchased capital assets and donated them to the Storm Water Enterprise Fund, in the amount of \$9,777.

In 2008, the Storm Water Enterprise Fund purchased capital assets and donated them to the Sewer Enterprise Fund in the amount of \$8,025.

In 2008, the Community Distress Special Revenue Fund and CDBG Capital Projects Fund constructed sewer lines and donated them to the Sewer Enterprise Fund, in the amount of \$45,430.

See accompanying Notes to the Basic Financial Statements.

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

	<u>Agency</u>
<b>ASSETS:-</b>	
Equity in pooled cash and cash equivalents	\$ 109,969
Cash and cash equivalents in segregated accounts	<u>47,618</u>
<b>Total assets</b>	<u><u>\$ 157,587</u></u>
<b>LIABILITIES:-</b>	
Due to external parties	\$ 5,861
Undistributed monies	<u>151,726</u>
<b>Total liabilities</b>	<u><u>\$ 157,587</u></u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 1 - DESCRIPTION OF THE CITY:-**

**A. The City**

The City of Marion (the City) is a statutory municipal corporation established and operated under the laws of the State of Ohio. Marion was incorporated as a city in 1890.

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

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

**B. Reporting Entity**

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 of Marion consists of all funds, departments, boards and agencies that are not legally separate from the City.

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 organizations' 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 organizations resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 Marion in 2008.

The City participates in two insurance pools, the Ohio Municipal Joint Self- Insurance Pool and the Ohio Rural Water Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 22 to the basic financial statements.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the City's accounting policies.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**A. Basis of Presentation**

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

***Government-wide Financial Statements*** - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses.

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 which are 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 program or business activity 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. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

**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. The funds of the City are reported in three categories; 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 purposes 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 following 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 the general laws of Ohio.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Street Construction, Maintenance and Repair Fund – This fund accounts for 92.5 percent of the state gasoline tax and motor vehicle registration fees as well as .05 percent voted municipal income tax designated for maintenance and repair of streets within the City.

Tax Incremental Financing Fund – This fund accounts for monies used for public infrastructure improvements funded by payments in lieu of taxes.

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

***Proprietary Funds*** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The City reports two types of proprietary funds, enterprise and internal service.

Enterprise Funds - The 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* - This fund accounts for the provision of wastewater treatment service to its residential and commercial users located within the City.

*Sanitation Fund* - This fund accounts for garbage collection and recycling services to the residents and commercial users located with the City.

*Landfill Fund* - This fund accounts for the ongoing postclosure activities at the landfill which closed in 1995.

*Storm Sewer Fund* - This fund accounts for the operation of the storm water runoff system within the city.

Internal Service Fund - The internal service fund accounts for the City's central garage which provides for vehicle maintenance provided to departments of the City.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: 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 therefore not available to support the City's own programs. The City did not have any trust funds in 2008. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for employee payroll withholdings and deductions, for insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, fines, and fees collected by the Marion Municipal Court (excluding those due to the City of Marion), and fines collected by the City for traffic and parking violations distributed to other parties.

**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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

***Fund Financial Statements*** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances 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. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary 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 fund 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 proprietary 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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that 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 thirty-one days of year-end.

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

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

***Deferred Revenue*** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.



**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

***Expenses/Expenditures*** - On the accrual basis, 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. Budgetary Process**

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increased or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the City prior to year end.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

**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. Interest in the pooled bank accounts are presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the City are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2008, investments included non-negotiable certificates of deposit, federal agency securities, mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Non-negotiable certificates of deposits are reported at cost. Investments are reported at fair value, which is based on quoted market prices or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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 \$324,632, which includes \$180,464 assigned from other funds of the City.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**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 by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

**I. Restricted Assets**

Assets are reported when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Monies required to be set aside for postclosure costs at the landfill are reported as restricted.

**J. Capital Assets**

General capital assets are capital assets which are associated with and generally result from expenditures in the governmental funds. General capital 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 both in the business-type activities column of the government-wide statement of net assets and in the respective funds. Capital assets used by the internal service fund are reported in both the governmental activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date donated. The City maintains a capitalization threshold of fifteen thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. 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>
Land improvements	20 - 50 years	20 - 25 years
Buildings	12 - 100 years	15 - 75 years
Equipment	5 - 40 years	8 - 50 years
Vehicles	5 - 30 years	5 - 15 years
Streets	10 - 40 years	N/A
Sewer and storm water lines	N/A	50 years

**K. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." Interfund balances within governmental and business-type activities are eliminated on the government-wide statement of net assets. The only interfund 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".

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation is 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 employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving pay in the future. The amount is based on the accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in City policies or by union contracts. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**N. Bond Discounts**

On enterprise fund financial statements bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. On the governmental fund financial statements, bond discounts are presented as a reduction of the face amount of bonds payable.

**O. 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 balances 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 constitutional provisions or enabling legislation adopted by the City or through external restrictions issued by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for maintenance and repair of State highways, various economic development related grants, the transit system and a number of law enforcement grants. 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. At December 31, 2008, there were no net assets restricted by enabling legislation.

**P. Fund Balance Reserves and Designations**

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. Fund balance reserves have been established for notes receivable and encumbrances.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by City Council. The designation of fund balance represents monies set aside by City Council for the future payment of termination benefits.

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer, sanitation and storm water, and charges for vehicle maintenance in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

**R. Capital Contributions**

Capital contributions arise from contributions from other funds and outside sources.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**S. Interfund Transactions**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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 interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

During 2008, the Storm Water enterprise fund donated capital assets for governmental operations, in the amount of \$318,809. Therefore, transfers in and out do not equal within the fund financial statements.

**T. 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 - CHANGE IN ACCOUNTING PRINCIPLES:-**

**A. Change in Accounting Principles**

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", and GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-**

**A. Accountability**

At December 31, 2008, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds:-	
Violence Against Women	\$ 10,569
School Resource Officer	19,209
Community Corrections	5,574
Police and Fire Pension	88,155
Marion Area Transit	101,189
Capital Projects Funds:-	
CDBG Formula	17,007
Capital Improvements	457,309
DRIP Infrastructure	10,078
Quarry Park	7,561
Street Improvement	98,370
Enterprise Fund:-	
Landfill	3,264,739

The deficit fund balances in the special revenue and capital projects funds resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit net assets in the landfill enterprise fund resulted from the requirement to report future postclosure costs. The City is setting aside resources to pay these future costs as they come due.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-** (continued)

**B. Compliance**

The Street Construction, Maintenance, and Repair special revenue fund had original appropriations in excess of estimated resources plus available balances, in the amount of \$147,871, for the year ended December 31, 2008.

The following funds had final appropriations in excess of estimated resources plus available balances for the year ended December 31, 2008.

<u>Fund Type/Fund</u>	<u>Estimated Resource Plus Available Balances</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds;- Street Construction, Maintenance and Repair	\$ 3,245,276	\$ 3,364,297	\$ 119,021
Capital Projects Fund DRIP Infrastructure	1,066,000	1,318,728	252,728
Enterprise Fund Storm Water	7,213,017	8,741,082	1,528,065

The City Auditor will review appropriations to ensure they are within estimated resources.

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2008.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-** (continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund;-			
General Government;- Other			
City Auditor			
Personal Services	\$ 365,419	\$ 372,395	\$ 6,976
Travel and Transportation	6	706	700
Contractual services	18,671	19,930	1,259
Materials and supplies	5,771	10,829	5,058
Capital outlay	0	3,000	3,000
Income Tax			
Contractual services	13,948	18,012	4,064
Treasurer			
Personal Services	7,913	7,979	66
Human Resources Director			
Contractual services	31,397	55,759	24,362
Safety Director			
Personal Services	225,744	227,696	1,952
Contractual services	35,065	36,657	1,592
Service Director			
Personal Services	24,753	66,662	41,909
Contractual services	120	551	431
Community Corrections			
Contractual services	1,310	1,480	170
Other General Government			
Contractual services	155,133	156,624	1,491
Other	0	381,312	381,312
Security of Persons and Property - Police			
Police Department			
Personal Services	5,579,042	5,618,596	39,554
Dispatchers			
Personal Services	690,112	711,952	21,840
Travel and Transportation	1,250	1,289	39
Leisure Time Activities			
Recreation			
Other	0	25	25

(continued)



**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-** (continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds;-			
Parks -			
Leisure Time Activities -			
Parks -			
Travel and Transportation	\$ 0	\$ 73	\$ 73
Enforcement and Education			
Security of Persons and Property - Police Police Department			
Capital Outlay	2,500	10,000	7,500
Smoke Detector			
Security of Persons and Property - Police Fire Department -			
Materials and Supplies	8,399	8,475	76
Police and Fire Pension			
Security of Persons and Property - Police Police Department			
Contractual Services	0	207	207
Security of Persons and Property - Police Fire Department -			
Contractual Services	0	206	206
Community Distress			
Community Environment			
Contractual Services	294,258	308,438	14,180
Downtown Revitalization			
Community Environment			
Contractual Services	88,499	233,172	144,673

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-** (continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Capital Projects Fund;-			
Tax Incremental Financing			
Transportation			
Street			
Contractural services	\$ 2,685	\$ 2,965	\$ 280
Debt Service			
Interest	97,084	101,901	4,817
Capital Improvements			
Leisure Time Activities			
Parks			
Capital Outlay	7,900	27,900	20,000
Senior Citizens			
Capital Outlay	38,169	38,518	349
Debt Service			
Interest	22,063	28,263	6,200
Airport Improvements			
Transportation			
Airport			
Contractural services	9,012	30,012	21,000
Capital Outlay	62,050	104,995	42,945
Capital Projects Fund;-			
Enterprise Funds			
Sanitation -			
Materials and Supplies	74,912	96,745	21,833
Landfill -			
Contractural services	109,568	113,398	3,830
Storm Water -			
Contractural services	220,296	220,372	76
Internal Service Fund			
Central Garage			
Debt Service Fund			
Interest	56,000	60,950	4,950

The Auditor will monitor budgetary transactions to ensure expenditures are within amounts appropriated.

At December 31, 2008, the DRIP Infrastructure and Street Improvement capital project funds and State Patrol Fines agency fund had deficit cash balances, in the amount of \$10,078, \$1,893, and \$5,861, respectively.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING:-**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) for the General Fund and the Street Construction, Maintenance and Repair Special Revenue Fund 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

Adjustments necessary to convert the results of operations for the year on the budget basis to GAAP basis are as follows:

	Changes in Fund Balance	
	<u>General</u>	<u>Street Construction, Maintenance, and Repair</u>
GAAP basis	\$ ( 941,078)	\$ 335,983
<b>INCREASES (DECREASES) DUE TO:-</b>		
Revenue accruals;-		
Accrued 2007, received in cash 2008	1,249,792	142,424
Accrued 2008, not yet received in cash	( 1,402,056)	( 142,255)
Expenditure accruals;-		
Accrued 2007, paid in cash 2008	( 1,562,778)	( 150,533)
Accrued 2008, not yet paid in cash	1,631,118	266,543
Cash adjustments;-		
Unrecorded activity 2007	132,376	0
Unrecorded activity 2008	( 129,826)	0
Prepaid items	7,283	332
Materials and supplies inventory	2,034	0
Advances in	27,000	0
Advances out	( 500,000)	0
Encumbrances outstanding at year end (Budget Basis)	<u>( 156,952)</u>	<u>( 490,241)</u>
<b>Budget basis</b>	<u>\$ ( 1,643,087)</u>	<u>\$ ( 37,747)</u>

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 6 - 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 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 in 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 City Treasurer 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 are to 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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 City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

**Deposits** - Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,104,851 of the City's bank balance of \$11,697,096 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments** - As of December 31, 2008, the City had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Bonds	\$ 502,345	3/10/2011
Federal Home Loan Bank Notes	500,315	4/15/2010
Federal Home Loan Bank Notes	500,780	10/28/2010
Federal Home Loan Bank Notes	501,095	1/20/2011
Federal Home Loan Bank Notes	804,504	2/24/2011
Federal Home Loan Bank Notes	500,155	11/7/2011
Federal Home Loan Bank Notes	256,720	8/14/2012
Federal Home Loan Mortgage Corporation Notes	400,720	2/8/2010
Federal Home Loan Mortgage Corporation Notes	503,120	2/24/2011
Federal Home Loan Mortgage Corporation Notes	261,277	12/5/2011
Federal Home Loan Mortgage Corporation Notes	257,408	10/23/2012
Federal National Mortgage Association Notes	708,525	4/1/2011
Federal National Mortgage Association Notes	515,470	11/2/2012
Mutual Funds	1,454,855	7 days
STAR Ohio	<u>212,224</u>	54.7 days
<b>Total investments</b>	<b>\$ <u><u>7,879,513</u></u></b>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the City from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

All of the federal agency securities and the mutual funds carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard & Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard service rating.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio.

	<u>Fair Value</u>	<u>% of Total</u>
Federal Farm Credit Bank	\$ 502,345	6.38%
Federal Home Loan Bank	3,063,569	38.88%
Federal Home Loan Mortgage Corporation	1,422,525	18.05%
Federal National Mortgage Association	<u>1,223,995</u>	<u>15.53%</u>
Total	<u>\$ 6,212,434</u>	<u>78.84%</u>

**NOTE 7 - RECEIVABLES:-**

Receivables at December 31, 2008 consisted of accounts (billings for user charged services, including unbilled utility services), accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue, municipal income taxes, interfund, property taxes, payment in lieu of taxes; and notes. All receivables are considered collectible in full and within one year, except for interfund, property taxes, payment in lieu of taxes, notes, and the allowance for uncollectible related to utility services. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes and notes receivable, in the amount of \$2,506,723 and \$1,063,603, respectively, will not be received within one year.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Block Grant program. The notes have an annual interest rate of 2% to 3% and are to be repaid over periods ranging from ten to thirty years.

A summary of the changes in notes receivable during 2008 follows:

	<u>Balance December 31, 2007</u>		<u>New Loans</u>		<u>Repayments</u>		<u>Balance December 31, 2008</u>
Special Revenue Fund;- CDBG revolving loan	\$ 713,929	\$	0	\$	1,955	\$	711,974
Capital Projects Fund;- Harding Centre loan	419,720		0		27,168		392,552
	<u>\$ 1,133,649</u>	\$	<u>0</u>	\$	<u>29,123</u>	\$	<u>1,104,526</u>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 7 - RECEIVABLES:-** (continued)

A summary of accounts receivable related to utility services is as follows:

	<u>Sewer</u>	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total Enterprise Funds</u>
Accounts receivable	\$ 1,951,544	\$ 2,666,822	\$ 532,513	\$ 5,150,879
Less allowance for uncollectibles	0	540,277	0	540,277
<b>Net accounts receivable</b>	<b>\$ <u>1,951,544</u></b>	<b>\$ <u>2,126,545</u></b>	<b>\$ <u>532,513</u></b>	<b>\$ <u>4,610,602</u></b>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 7 - RECEIVABLES:-** (continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

	<b>Amount</b>
<b>Government Activities:-</b>	
<b>Major Funds:-</b>	
General Fund -	
Homestead and rollback	\$ 88,384
Local government	99,532
Local government revenue assistance	654,609
Cigarette tax	463
Personal property phase out	19,041
Personal property exemption	1,659
Estate taxes	158,262
Bulletproof vest grant	3,000
State subsidy	10,716
DKMM recycling grant	8,414
Public health infrastructure	1,036
Beer and liquor permits	926
Miscellaneous	1,320
Total general fund	1,047,362
Street construction, maintenance and repair -	
Gasoline tax	533,858
Motor vehicle license tax	125,230
Total street construction, maintenance and repair	659,088
Total major funds	1,706,450
<b>Nonmajor Funds:-</b>	
Senior Citizens -	
Ohio District 5 Agency on Aging	4,046
Marion council on aging	3,108
Total senior citizens	7,154
State Highway -	
Gasoline tax	42,053
Motor vehicle license tax	6,974
Total state highway	49,027
Violence Against Women -	
Violence against women	12,527
School Resource Officer -	
School resource officer	8,218



**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 7 - RECEIVABLES:-** (continued)

	Amount
Government Activities:-	
	Amount
Non-major Funds:-	
Indigent Drivers Alcohol -	
Indigent drivers alcohol treatment	5,992
Police and Fire Pension -	
Homestead and rollback	16,006
Tangible personal property reimbursement	3,342
Personal property exemption	284
Total police and fire pension	19,632
Community Distress Program -	
Community distress	3,999
CHIP Grant -	
CHIP grant	10,000
Marion Area Transit -	
Rural transit grant	163,370
CDBG Formula Grant -	
CDBG formula grant	16,067
Street Improvement -	
Ohio public works commission	90,235
Total non-major funds	386,221
Total government activities	\$ 2,092,671
Business Type Activities	
Major fund	
Sewer	
Village of Greencamp	\$ 1,987
Major juvenile center	187
Total Business Type Activities	2,174

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 8 - MUNICIPAL INCOME TAXES:-**

The City levies and collects an income tax of 1.75 percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax is credited to the General Fund, Street Construction, Maintenance and Repair special revenue fund, and the Capital Improvements capital projects fund, in the amount of 1.65 percent, .05 percent and .05 percent, respectively.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 9 - PROPERTY TAXES:-**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the payment is due April 30; if paid 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 Marion. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes, which were measurable as of December 31, 2008, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, the delinquent real property taxes have been recorded as a receivable and revenue while the remainder has been deferred.

The full tax rates applied to real property for the year ended December 31, 2008, per taxing district, per \$1,000 of assessed valuation are as follows:

Marion City School District	\$3.60
Elgin Local School District	2.60
Pleasant Local School District	.90
River Valley Local School District	2.70
Ridgedale Local School District	1.40

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 9 - PROPERTY TAXES:-** (continued)

The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

<b>Category</b>	<b>Assessed Value</b>
Real Estate:-	
Agricultural/residential	\$ 298,109,220
Commercial/industrial	80,447,860
Public utility real	1,740,610
Public utility personal	21,893,290
Tangible personal	13,402,670
<b>Total</b>	<b>\$ 415,593,650</b>

**NOTE 10 - PAYMENT IN LIEU OF TAXES:-**

According to State law, the City has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The property owners contractually promise to make these payments in lieu of taxes until the agreements expire.

**NOTE 11 - CAPITAL ASSETS:-**

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

	<b>Balance December 31, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2008</b>
<b>Governmental Activities:-</b>				
Nondepreciable capital assets:-				
Land	\$ 8,703,039	\$ 0	\$ 0	\$ 8,703,039
Construction in progress	1,364,899	216,555	0	1,581,454
Total nondepreciable capital assets	10,067,938	216,555	0	10,284,493
Depreciable capital assets:-				
Land improvements	287,301	0	0	287,301
Buildings	24,914,519	38,518	0	24,953,037
Equipment	1,047,771	67,517	0	1,115,288
Vehicles	4,333,556	526,755	( 321,807)	4,538,504
Streets	59,622,735	208,041	( 313,686)	59,517,090
Total depreciable capital assets	90,205,882	840,831	( 635,493)	90,411,220

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 11 - CAPITAL ASSETS:-** (continued)

	<b>Balance December 31, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2008</b>
Less accumulated depreciation for:-				
Land improvements	\$ ( 130,059)	\$ ( 12,588)	\$ 0	\$ ( 142,647)
Buildings	( 3,411,616)	( 369,320)	0	( 3,780,936)
Equipment	( 715,965)	( 48,756)	0	( 764,721)
Vehicles	( 1,603,315)	( 264,812)	260,568	( 1,607,559)
Streets	( 35,694,818)	( 2,078,657)	187,383	( 37,586,092)
Total accumulated depreciation	<u>( 41,555,773)</u>	<u>( 2,774,133)</u>	<u>447,951</u>	<u>( 43,881,955)</u>
Total depreciable capital assets, net	<u>48,650,109</u>	<u>( 1,933,302)</u>	<u>( 187,542)</u>	<u>46,529,265</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 58,718,047</u>	<u>\$ ( 1,716,747)</u>	<u>\$ ( 187,542)</u>	<u>\$ 56,813,758</u>
<b>Business-Type Activities:-</b>				
Nondepreciable capital assets:-				
Land	\$ 699,886	\$ 0	\$ 0	\$ 699,886
Depreciable capital assets:-				
Land improvements	96,191	0	0	96,191
Buildings	24,068,350	0	0	24,068,350
Equipment	4,483,601	68,723	0	4,552,324
Vehicles	1,472,915	19,553	0	1,492,468
Sewer and storm water lines	28,726,945	189,285	( 2,515)	28,913,715
Total depreciable capital assets	<u>58,848,002</u>	<u>277,561</u>	<u>( 2,515)</u>	<u>59,123,048</u>
Less, accumulated depreciation for:-				
Land improvements	( 42,328)	( 3,848)	0	( 46,176)
Buildings	( 3,504,805)	( 1,578,888)	0	( 5,083,693)
Equipment	( 2,093,515)	( 188,501)	0	( 2,282,016)
Vehicles	( 767,253)	( 90,027)	0	( 857,280)
Sewer and storm water lines	( 12,722,653)	( 505,302)	2,515	( 13,225,440)
Total accumulated depreciation	<u>( 19,130,554)</u>	<u>( 2,366,566)</u>	<u>2,515</u>	<u>( 21,494,605)</u>
Total depreciable capital assets, net	<u>39,717,448</u>	<u>( 2,089,005)</u>	<u>0</u>	<u>37,628,443</u>
<b>Business-type activities and capital assets, net</b>	<u>\$ 40,417,334</u>	<u>\$ ( 2,089,005)</u>	<u>\$ 0</u>	<u>\$ 38,328,329</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:-</b>	
Security of persons and property - police	\$ 96,133
Security of persons and property - fire	89,121
Public health	291
Leisure time activities	34,320
Transportation - transit	43,327
Transportation - other	2,222,137
General government - court	10,047
General government - other	278,757
<b>Total depreciation expense - governmental activities</b>	<u>\$ 2,774,133</u>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 12 - INTERFUND RECEIVABLES/PAYABLES:-**

Interfund balances at December 31, 2008, consisted of the following individual fund receivables and payables:

Due to General Fund from:-	
Other governmental	\$ <u>1,137,376</u>
Due to Other Governmental Funds from:-	
General	\$ <u>1,123</u>
Due to Sewer Fund from:-	
Landfill	\$ <u>619</u>
Due to Internal Service Fund from:-	
General	\$ 17,521
Street construction, maintenance and repair	24,125
Other governmental	18,117
Sewer	575
Sanitation	11,747
Storm water	<u>1,500</u>
Total internal service fund	\$ <u>73,585</u>

The balance due to the General Fund consists of loans made to provide working capital for operations or projects. With the exception of \$374,000, all of these amounts are expected to be received within one year.

The amount due to Other Governmental Funds was for services provided to the General Fund. This amount is expected to be received within one year.

The amount due to the Sewer Fund resulted from services provided. This amount is expected to be received within one year.

The amount due to the Internal Service Fund resulted from services provided. This amount is expected to be received within one year.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 13 - RISK MANAGEMENT:-**

The City participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity shared risk pool. The City pays an annual premium to the pool for various types of insurance coverage. Member municipalities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2008, the City had the following insurance coverages:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property	\$45,084,901	\$ 1,000
General liability:-		
Aggregate	5,000,000	5,000
Law enforcement liability	5,000,000	10,000
Emergency medical services liability	5,000,000	5,000
Employee benefits liability	1,000,000	5,000
Automobile liability	5,000,000	0
Uninsured Motorists	40,000	0

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

For 2008, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive Committee then collected rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline to the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS:-**

**A. Ohio Public Employees Retirement System**

**Plan Description** - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member,

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

accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll, public safety and law enforcement members contributed 10.1 percent, however the rates of contributions by members have been reduced in some cases through labor negotiations. As a result, the City's contribution rate equals the City's portion (14 percent for PERS), plus the negotiated amount.

The City's contribution rate for 2008 was 14 percent of covered payroll; 7 percent was used to fund pension obligations with the remainder allocated to fund the post employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007 and 2006 were \$870,553, \$620,597 and \$669,262, respectively; 87 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$9,822 made by the City and \$7,016 made by the plan members.

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

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

**Funding Policy** -Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations however the rates of contributions by members have been reduced in some cases through labor negotiations. As a result, the City's contribution rate equals the City's portion as described below, plus the negotiated amount. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The City's required contribution for pension obligations for police and firefighters for the year ended December 31, 2008, was \$735,953 and \$753,345, for the year ended December 31, 2007, was \$432,460 and \$542,613 and December 31, 2006, was \$383,407 and \$507,555. For 2008, 83 percent has been contributed for both police and firefighters. The full amount has been contributed for 2007 and 2006.



**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 15 - POSTEMPLOYMENT BENEFITS:-**

**A. Ohio Public Employees Retirement System**

**Plan Description** - The Ohio Public Employees Retirement Systems (OPERS) maintains a cost-sharing, multiple-employer health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**Funding Policy** - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 7 percent for 2008.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2008, 2007 and 2006 was \$547,875 \$418,946 and \$334,469 respectively; 87 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, and January 1, 2008, which allows additional funds to be allocated to the health care plan.

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined postemployment health care plan administered by OPF. OPF provides postretirement health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who received or is eligible to receive a monthly service, disability, or survivor benefit, or is a spouse or eligible dependent child of such person.

The Ohio Revised Code permits, but does require, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - OPF's postemployment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care 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 section 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care 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. Active members do not make contributions to the OPEB Plan.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters for the year ended December 31, 2008, was \$233,773 and \$218,773 and \$218,713, for the year ended December 31, 2007, was \$228,949 and \$212,327, and for the year ended December 31, 2006, was \$252,885 and \$242,065. For 2008, 68 percent has been contributed for police and 70 percent has been contributed for firefighters. The full amount has been contributed for 2007 and 2006.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 16 - COMPENSATED ABSENCES:-**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service and standard work week. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contacts. Upon retirement, employees are entitled to the value of their accumulated unused sick leave at varying percentages to a maximum of ninety to one hundred twelve and one-half days based on City policy and union contracts.

**NOTE 17 - NOTES PAYABLE:-**

A summary of the note transactions of the year ended December 31, 2008 is as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>
<b>Governmental Activities:-</b>					
General obligation bond anticipation notes:-					
2007 various purpose	4.00%	\$ 340,000	\$ 0	\$ 340,000	\$ 0
2008 various purpose	3.75%	0	2,850,000	0	2,850,000
<b>Total government activities</b>		<u>\$ 340,000</u>	<u>\$ 2,850,000</u>	<u>\$ 340,000</u>	<u>\$ 2,850,000</u>
<b>Business-Type Activities:-</b>					
General obligation bond anticipation notes:-					
2007 various purpose	4.00%	\$ 5,440,000	\$ 0	\$ 5,440,000	\$ 0
2008 various purpose	3.75%	0	8,625,000	0	8,625,000
<b>Total business-type activities</b>		<u>\$ 5,440,000</u>	<u>\$ 8,625,000</u>	<u>\$ 5,440,000</u>	<u>\$ 8,625,000</u>

According to Ohio law, notes may be issued in anticipation of bond proceeds or for up to 50 percent of anticipated revenue collections.

On June 27, 2007, the City issued bond anticipation notes, in the amount of \$340,000; \$70,000 to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive and \$270,000 for constructing public infrastructure improvements related to constructing and extending Lakes Blvd. The notes have an interest rate of 4 percent and mature on June 26, 2008. The notes were paid from the Tax Incremental Financing capital projects fund.

On October 16, 2007, the City issued \$5,440,000 in bond anticipation notes; \$3,040,000 for sewer improvements and \$2,400,000 for storm water improvements. The notes have an interest rate of 4 percent and mature on October 17, 2008. The notes were paid from the Sewer and Storm Water enterprise funds.

On October 16, 2008, the City issued \$11,475,000 in bond anticipation notes; \$1,450,000 for roof repair and to purchase various equipment and a vehicle, \$4,400,400 for sewer improvements, \$4,224,600 for storm water improvements, and \$1,400,000 for constructing, equipping, and furnishing a central garage building. The notes have an interest rate of 3.75 percent and mature on October 15, 2009. The notes were paid from the Capital

**CITY OF MARION, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 17 - NOTES PAYABLE:-** (continued)

Improvements capital projects fund, the Sewer and Storm Water enterprise funds, and Central Garage internal service fund. As of December 31, 2008, the City had unspent proceeds, in governmental activities and business-type activities, in the amount of \$1,450,000 and \$3,185,000, respectively.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 18 - LONG-TERM OBLIGATIONS:-**

The City's long term obligations activity for the year December 31, 2007, was as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Due in Within One Year</u>
<b>Governmental Activities:-</b>						
Bond anticipation notes:-						
2007 various purpose notes	4.00%	\$ 1,580,000	\$ 0	\$ 1,580,000	\$ 0	\$ 0
2007 various purpose notes	4.00%	1,400,000	0	1,400,000	0	0
2008 various purpose notes	2.75%	0	1,580,000	0	1,580,000	1,580,000
Total various purpose notes		<u>2,980,000</u>	<u>1,580,000</u>	<u>2,980,000</u>	<u>1,580,000</u>	<u>1,580,000</u>
General obligation bonds:-						
2000 police and fire pension (Original amount \$1,145,000)	4.35-5.40%	865,000	0	50,000	815,000	50,000
Other long-term obligations:-						
ODOT DRIP TIF						
(Original amount \$2,105,884)	0.00%	1,115,124	0	185,408	929,716	172,404
OPWC loan -						
#CP10D Marion Williamsport						
Road improvements (Original amount \$128,202)	0.00%	92,947	0	6,410	86,537	6,410
Capital loans payable		518,128	0	68,628	449,500	71,287
Capital leases payable		114,018	0	36,452	77,566	37,985
Compensated absences payable		<u>4,020,783</u>	<u>296,210</u>	<u>85,150</u>	<u>4,231,843</u>	<u>537,027</u>
Total other long-term obligations		<u>5,861,000</u>	<u>296,210</u>	<u>382,048</u>	<u>5,775,162</u>	<u>825,113</u>
<b>Total government activities</b>		<u>\$ 9,706,000</u>	<u>\$ 1,876,210</u>	<u>\$ 3,412,048</u>	<u>\$ 8,170,162</u>	<u>\$ 2,455,113</u>
<b>Business-Type Activities:-</b>						
General obligation bonds:-						
2000 various purpose						
(Original amount \$7,585,000)	4.35-5.40%	\$ 5,720,000	\$ 0	\$ 325,000	\$ 5,395,000	\$ 340,000
Discount		( 36,379)	0	( 2,068)	( 34,311)	0
Total general obligation bonds		<u>5,683,621</u>	<u>0</u>	<u>322,932</u>	<u>5,360,689</u>	<u>340,000</u>
OWDA loans -						
#2335 solids handling						
(Original amount \$2,290,314)	4.56%	1,248,442	0	123,282	1,125,160	128,968
#2336 landfill closure						
(Original amount \$2,720,754)	4.35%	1,373,104	0	146,925	1,226,179	153,385
#3397 WRRSP						
(Original amount \$5,366,955)	1.50%	4,030,664	0	185,678	3,844,986	177,029
#3398 WWTP upgrade						
(Original amount \$20,784,201)	1.50%	<u>16,288,809</u>	<u>0</u>	<u>906,179</u>	<u>15,382,630</u>	<u>995,243</u>
Total OWDA loans		<u>22,941,019</u>	<u>0</u>	<u>1,362,064</u>	<u>21,578,955</u>	<u>1,454,625</u>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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

	<u>Interest Rate</u>	<u>Balance December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Due in Within One Year</u>
<b>Business-Type Activities:-</b>						
OPWC loans -						
#CP06G Mary St. sanitary sewer/storm water replacement (Original amount \$29,232)						
0.00%	\$ 25,578	\$ 0	\$ 1,462	\$ 24,116	\$ 1,462	
#CP10F Uncapher Ave./ Florence St. sanitary sewer/storm water replacement (Original amount \$268,990)						
0.00%	208,469	0	13,449	195,020	13,449	
#CP16E Avondale Ave./ Catalina Dr. storm water (Original amount \$119,185)						
0.00%	83,431	0	5,960	77,471	5,960	
#CP18A industrial depot sanitary sewer (Original amount \$157,168)						
0.00%	68,106	0	10,478	57,628	10,478	
#CP33E water pollution control upgrade (Original amount \$1,070,800)						
0.00%	856,640	0	53,540	803,100	53,540	
#CP522 airport industrial park sanitary sewer (Original amount \$700,000)						
0.00%	245,000	0	35,000	210,000	35,000	
<b>Total OPWC loans</b>						
	<u>1,487,224</u>	<u>0</u>	<u>119,889</u>	<u>1,367,335</u>	<u>119,889</u>	
Capital leases payable						
	121,404	0	80,261	41,143	41,143	
Compensated absences payable						
	489,024	69,915	8,698	550,241	111,459	
Postclosure costs payable						
	2,505,693	0	76,257	2,429,436	82,086	
<b>Total other long-term obligations</b>						
	<u>27,544,364</u>	<u>69,915</u>	<u>1,647,169</u>	<u>25,967,110</u>	<u>1,809,202</u>	
<b>Total business-type activities</b>						
	<u>\$ 33,227,985</u>	<u>\$ 69,915</u>	<u>\$ 1,970,101</u>	<u>\$ 31,327,799</u>	<u>\$ 2,149,202</u>	

**Bond Anticipation Notes** - On June 27, 2008, the City issued bond anticipation notes, in the amount of \$1,580,000; \$700,000 to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive, \$480,000 for constructing public infrastructure improvements related to constructing and extending Lakes Boulevard, and \$400,000 for improving Barks Road between Delaware Avenue and State Route 529. The notes have an interest rate of 2.75 percent and matured on June 26, 2009. The notes were paid from the Tax Incremental Financing capital projects fund.

As of December 31, 2008, the City had unspent proceeds, in the amount of \$18,367, and \$400,000 spent on items which were not capitalized.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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

**General Obligation Bonds** - On November 1, 2000, the City issued \$8,730,000 in unvoted general obligation bonds to pay the long-term liability to the Police and Fire Pension system which established the system, and to construct and replace sewer and storm water lines. The bonds were issued for a twenty year period with final maturity in 2020. The bonds will be paid from the Bond Retirement debt service fund and from the sewer and storm water enterprise funds.

The bonds maturing on December 1, 2013, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2011	\$425,000
2012	445,000

The remaining principal, in the amount of \$470,000, will be paid at stated maturity on December 1, 2013.

The bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2014	\$495,000
2015	525,000

The remaining principal, in the amount of \$550,000, will be paid at stated maturity on December 1, 2016.

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2017	\$575,000
2018	610,000
2019	640,000

The remaining principal, in the amount of \$675,000, will be paid at stated maturity on December 1, 2020.

The bonds maturing on or after December 1, 2011, are subject to optional redemption prior to maturity, commencing December 1, 2010, either in whole or in part, in such order as the City shall determine, on any date on or after December 1, 2020, at a redemption price equal to the following percentages of principal redeemed plus accrued interest to the date of redemption:

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2010 through November 30, 2011	102%
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100%

**ODOT DRIP TIF** - On May 11, 1998, the City entered into a loan agreement with the Ohio Department of Transportation for road improvements to a new industrial park. The loan was issued for a fifteen year period with final maturity in 2013. The loan will be paid from the Tax Incremental Financing capital projects fund.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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

**Capital Loans** - The City obtained a loan with a local bank for the purchase of a fire truck. The City is paying the loan in equal quarterly payments over the ten-year life of the loan which will mature in 2014. The loan is being repaid from resources of the Capital Improvement capital projects fund.

**Capital Leases** - Capital lease obligations will be paid from the fund that maintains custody of the related assets.

**Compensated Absences** - The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Construction, Maintenance and Repair, Violence Against Women, School Resource Officer, Parks and Marion Area Transit special revenue funds, the Sewer, Sanitation and Storm Water enterprise funds and the Central Garage internal service fund.

**Ohio Water Development Authority (OWDA)** - OWDA loans consist of money owed to the Ohio Water Development Authority for the replacement of the solids handling system and solids storage building, landfill closure, preservation of Edison Woods, and waste water treatment plant improvements. OWDA loans are payable solely from the gross revenues of the Sewer and Landfill enterprise funds.

OWDA monies spent on items which were not capitalized were \$3,844,986 in the Sewer enterprise fund and \$1,226,179 in the Landfill enterprise funds.

**Ohio Public Works Commission (OPWC)** - OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for construction for sewer and storm water lines. OPWC loans will be paid from the Tax Incremental Financing capital projects fund and Sewer and Storm Water enterprise funds.

OWDA loans are payable solely from the gross revenues of the Sewer and Landfill enterprise funds and a portion of the OPWC loans are payable solely from the gross revenues of the Sewer and Storm Water enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the OWDA loans is \$21,578,955 and \$2,595,222, respectively, and total principal to be paid on the OPWC loans is \$1,367,335. Principal and interest paid in the Sewer enterprise fund for the current year was \$1,321,942 and \$263,278, \$146,925 and \$58,149 in the Landfill enterprise fund, and \$13,086 in the Storm Water enterprise fund. Total net revenues for the Sewer, Landfill, and Storm Water enterprise funds were \$2,187,567, \$378,030, and \$169,200 respectively.

The City's legal debt margin was \$37,013,117 at December 31, 2008.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2008, were as follows:

<b>Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>		<b>ODOT Loan</b>	
	<b>Bonds</b>		<b>DRIP TIF Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2009	\$ 50,000	\$ 42,625	\$ 172,404	\$ 30,868
2010	55,000	40,250	180,273	20,898
2011	55,000	37,610	186,180	15,430
2012	60,000	34,805	192,280	9,783
2013	60,000	31,745	198,579	3,951
2014-2018	360,000	107,045	0	0
2019-2020	175,000	14,310	0	0
<b>Total</b>	<b>\$ 815,000</b>	<b>\$ 308,390</b>	<b>\$ 929,716</b>	<b>\$ 80,930</b>



**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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

<u>Year</u>	<b>OPWC</b>		
	<b>Loans</b>		<b>Capital Loans</b>
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 6,410	\$ 71,287	\$ 16,157
2010	6,410	74,049	13,395
2011	6,410	76,919	10,525
2012	6,410	79,899	7,545
2013	6,410	82,996	4,449
2014-2018	32,051	64,350	1,233
2019-2022	22,436	0	0
<b>Total</b>	<b>\$ 86,537</b>	<b>\$ 449,500</b>	<b>\$ 53,304</b>

<u>Year</u>	<b>Business-Type Activities</b>					
	<b>General Obligation</b>				<b>OPWC</b>	
	<b>Bonds</b>		<b>OWDA Loans</b>		<b>Loans</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2009	\$ 340,000	\$ 282,130	\$ 1,454,625	\$ 386,441	\$ 119,889	
2010	355,000	265,980	1,562,824	354,943	119,889	
2011	370,000	248,940	1,595,177	322,590	119,889	
2012	385,000	230,070	1,628,412	289,355	119,889	
2013	410,000	210,435	1,662,562	255,205	119,889	
2014-2018	2,395,000	706,240	7,741,871	784,688	412,286	
2019-2023	1,140,000	93,150	5,933,484	202,000	353,410	
2024-2025	0	0	0	0	2,194	
<b>Total</b>	<b>\$ 5,395,000</b>	<b>\$ 2,036,945</b>	<b>\$ 21,578,955</b>	<b>\$ 2,595,222</b>	<b>\$ 1,367,335</b>	

**NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE:-**

The City has entered into capitalized leases for vehicles. The lease meets 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. Principal payments in 2008 were \$36,452 for governmental funds and \$80,261 for enterprise funds.

	<b>Governmental</b>	<b>Business-Type</b>
	<b>Activities</b>	<b>Activities</b>
Vehicles	\$ 149,000	\$ 405,334
Less accumulated depreciation	( 9,933)	( 108,088)
<b>Total</b>	<b>\$ 139,067</b>	<b>\$ 297,246</b>

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE:-** (continued)

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 37,985	\$ 2,626	\$ 41,143	\$ 516
2010	39,581	1,030	0	0
Total	<u>\$ 77,566</u>	<u>\$ 3,656</u>	<u>\$ 41,143</u>	<u>\$ 516</u>

**NOTE 20 - LANDFILL POSTCLOSURE COSTS:-**

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City stopped accepting waste at its landfill in 1995. The \$2,429,436 reported as landfill postclosure costs at December 31, 2008, represents the estimated costs of maintenance and monitoring through 2025. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The December 31, 2008 liability decreased from the prior year by \$76,257.

The City is required by state and federal laws and regulations to provide assurance that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The City has passed the financial accountability test proving the ability to self-fund these future costs.

**NOTE 21 - INTERFUND TRANSFERS:-**

During 2008, the following transfers were made:

	Transfers Out				
	General	Street Construction, Maintenance and Repair	Tax Incremental Financing	Other Governmental	Total
<b>Governmental Activities:-</b>					
Street construction, maintenance and repair	\$ 708,700	\$ 0	\$ 0	\$ 0	\$ 708,700
Tax incremental financing	0	25,229	0	0	25,229
Other governmental	999,015	0	0	0	999,015
<b>Total government activities</b>	<u>\$ 1,707,715</u>	<u>\$ 25,229</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,732,944</u>

The General Fund made transfers to subsidize operations in the Street Construction, Maintenance and Repair special revenue fund and other governmental funds.

The Street Construction, Maintenance and Repair special revenue fund made transfers for street construction related to tax incremental financing project.

**CITY OF MARION, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 22 - INSURANCE POOLS:-**

***Ohio Municipal Joint Self-Insurance Pool*** - The Ohio Municipal Joint Self-Insurance Pool, a risk-sharing pool, was established in 1987 to provide property and liability insurance coverage to its member municipalities. The pool's objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage and to develop a comprehensive loss control program on behalf of its member municipalities. The Pool is governed by a Board of Trustees elected from its membership. A member may withdraw its membership in the Pool at the end of any coverage period upon sixty days written notice to the Pool. Members who terminate participation in the Pool are subject to a supplemental assessment or a refund at the discretion of the Board of Trustees, depending on the ultimate loss experience of its members for the coverage period. Financial information for the Pool may be obtained from the Ohio Municipal Joint Self-Insurance Pool, 1340 Depot Street, Cleveland, Ohio 44118.

***Ohio Rural Water Association Workers' Compensation Group Rating Plan*** - The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by participating members. Financial information may be obtained from the Ohio Rural Water Association Workers' Compensation Group Rating Plan, 975 Linden Avenue, Zanesville, Ohio 43701.

**NOTE 23 - CONTINGENT LIABILITIES:-**

***Litigation*** - 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.

***Federal and State Grants*** - For the period January 1, 2008 to December 31, 2008, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**NOTE 24 - SUBSEQUENT EVENTS:-**

On June 24, 2009, the City issued \$1,580,000 in bond anticipation notes to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive, for constructing public infrastructure improvements related to constructing and extending Lakes Boulevard, and for improving Barks Road between Delaware Avenue and State Route 529 and issued new notes, in the amount of \$3,715,000 for constructing public infrastructure improvements related to constructing a portion of Forest Lawn Boulevard and Blaine Avenue and acquiring software and equipment. The notes have an interest rate of 2.35 percent and mature on June 23, 2010.

During 2008 and 2009, the City purchased two new software packages with an approximate cost of \$1,000,000. These two packages will supplement upgrades/new software packages for the Police Department, the Finance, the Payroll/HR, the Utility Billing, and the Community Development components.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Mayor and Members of Council  
City of Marion, Ohio

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 Marion, 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 August 31, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Marion'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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting as findings 2008-001, 2008-002, 2008-003, and 2008-004.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 2008-002, 2008-003 and 2008-004 to be material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated August 31, 2009.

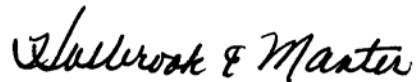
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is reported in the accompanying schedule of findings as item 2008-005.

We noted certain matters that we reported to management of the City in a separate letter dated August 31, 2009.

City of Marion's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Certified Public Accountants

August 31, 2009



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

Mayor and Members of Council  
City of Marion, Ohio

**Compliance**

We have audited the compliance of the City of Marion, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, we noted other matters involving compliance, which we have reported to management of the City in a separate letter dated August 31, 2009.

**Internal Control over Compliance**

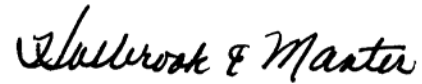
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted immaterial control deficiencies that we have reported to management of the City in a separate letter dated August 31, 2009.

This report is intended solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Certified Public Accountants

August 31, 2009

**CITY OF MARION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDING DECEMBER 31, 2008**

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> <u>Program Title</u>	<u>Federal</u> <u>C DFA</u> <u>Number</u>	<u>Pass Through</u> <u>Entity</u> <u>Number</u>	<u>Disbursements</u>
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	51-2-001-1-CL-08	\$ 247,971
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	51-2-001-1-CL-09	72,466
<b>Total U.S. Department of Agriculture</b>			<b>320,437</b>
<b><u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grant - State's Program '06 Distress	14.228	A-F-06-142-1	214,851
Community Development Block Grant - State's Program '06 CHIP (CDBG)	14.228	A-C-06-142-1	67,477
Community Development Block Grant - State's Program '06 CHIP (HOME)	14.228	A-C-06-142-2	174,713
Community Development Block Grant - State's Program '06 CHIP (CDBG)	14.228	A-C-06-142-1	11,998
Community Development Block Grant - State's Program '06 Formula	14.228	A-F-06-142-1	86,213
Community Development Block Grant - State's Program '07 Formula	14.228	A-F-07-142-1	51,590
Community Development Block Grant - State's Program '06 Downtown	14.228	A-T-06-142-1	190,354
<b>Total Community Development Block Grant - State's Program</b>			<b>797,196</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>797,196</b>
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
<i>Passed Through the Ohio Office of Criminal Justice Services</i>			
Bulletproof Vest '07	16.607	OMB 1121-0235	3,000
Drug/Gun Reduction	16.738	2006-JG-AOV-V6360	5,575
School Resource Officer Grant	16.738	2007-JG-B01-6412	41,000
<b>Total Drug and Gun Reduction and School Resource Officer Grant</b>			<b>46,575</b>
Violence Against Women Formula Grant	16.588	2007-WF-VA2-8110	54,000
<b>Total Violence Against Women Formula Grant</b>			<b>54,000</b>
<b>Total U.S. Department of Justice</b>			<b>103,575</b>
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
Airport Improvement Program	20.106	AIP 3-39-0050-1706	7,155
Airport Improvement Program	20.106	AIP 3-39-0050-1504	16,416
Airport Improvement Program	20.106	AIP 3-39-0050-1808	29,709
<b>Total Airport Improvement Program</b>			<b>53,280</b>
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas '07 Capital	20.509	RPT-0051-025-062	101,398
Formula Grants for Other Than Urbanized Areas '08 Operating	20.509	RPT-4051-026-071	368,270
Formula Grants for Other Than Urbanized Areas '08 Capital	20.509	RPT-4051-026-072	93,470
Formula Grants for Other Than Urbanized Areas '08 Intercity	20.509	RPT-4051-026-073	27,845
<b>Total Transit Grants</b>			<b>590,983</b>
Federal Highway Administration	20.205	PID NO. 78534	-
<b>Total U.S. Department of Transportation</b>			<b>644,263</b>
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Aging</i>			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers '07	93.044	N/A	106
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers '08	93.044	N/A	41,188
Special Programs for the Aging - Title III, Part E Grants for Supportive Services and Senior Centers	93.044	N/A	5,000
<b>Total U.S. Department of Health and Human Services</b>			<b>46,294</b>
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through State of Ohio Emergency Management Agency</i>			
FEMA/United States Fire Administration	97.036	3286-EM-101-47754	39,557
<b>Total U.S. Department of Homeland Security</b>			<b>39,557</b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b>\$ 1,951,322</b>

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



**CITY OF MARION**  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:-**

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-to-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by liens placed on personal property. At December 31, 2008, amounts were paid to date and no delinquent amounts due.

**NOTE 3 - MATCHING REQUIREMENTS:-**

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

**NOTE 4 - PASS-THROUGH ENTITY NUMBERS:-**

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

**CITY OF MARION**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #20.509 – Formula Grants for Other than Urbanized Areas  CFDA #10.557 – Special Supplemental Nutrition Program for Women Infants and Children (WIC)
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

<b>Finding Number</b>	<b>2008-001</b>
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**Significant Deficiency - Transactional Data Entry**

During our testing, we noted that there was a lack of consistency in the way that transactions were entered into the Accounting System. These inconsistencies could create misstatements, which may lead to difficulties when attempting to create an accurate budget. During our testing and analysis, it was difficult to complete a year to year comparison of the totals received from recipients or the totals paid to vendors due to these inconsistencies as noted above.

**CITY OF MARION**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Finding Number</b>	<b>2008-001</b>
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**Significant Deficiency - Transactional Data Entry - continued**

Subsequent to year end, the City is in the process of implementing a new computer system that will take the place of all departmental software within the City of Marion. This software should prevent some of the inconsistencies as discussed in the preceding paragraph.

We recommend that the City continue to monitor the changes with implementing the new software to include a review of controls in place including, but not limited to, accessibility to the departments for adding or deleting a vendor, entry of invoice and purchase order details, and employee changes within the database.

**Officials' Response:**

New administration took office January 1, 2008 and many past practices were maintained, while the administration was continually searching for ways to implement positive change for the City of Marion. Administration took appropriate and immediate action, when and where applicable, to address any concerns and issues that were found.

In October 2008, a contract was signed with New World Systems and implementation of this software began in February 2009. The City of Marion's Financial Management component went live on the new system July 1, 2009. Payroll, Human Resources and Utility Billing components are underway and will be up and running on January 1, 2010. We believe this software will be very instrumental in improving this issue.

City Administration will continue to address any future issues and implement internal controls to improve transactional data entry.

<b>Finding Number</b>	<b>2008-002</b>
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**Material Weakness - Management of Cash Collections**

Cash is the asset most susceptible to theft. In addition, at a given governmental entity, there may be multiple cash collection points. The entity should have adequate procedures in place over the various cash collection points. These procedures should include, but are not limited to, safeguarding cash received; providing receipts to the payee; and proper segregation of duties for the receipting, depositing, recording and reporting of cash. In addition, cash is to be deposited in an eligible financial institution or with the City Auditor within a timely manner. (Ohio Rev. Code Section 9.38)

During our testing and analysis and based upon discussions with key management within each City Department, we noted that the key City Officials within the Auditor's Office were unaware that there were cash collection points taking place in certain departments without adequate control structures in place. This cash collection could create a potential for inappropriate activity to take place by not having controls in place to prevent errors or misstatements from occurring.

Also, during our compliance testing, we noted that the City has implemented a number of informal cash policies. However, we did not note a comprehensive formal set of policies outlining the pertinent cash procedures. We recommend that the City continue to review and expand its existing policies and procedures to provide for proper management monitoring and control over cash.

**Officials' Response:**

New administration took office January 1, 2008 and many past practices were maintained, while the administration was continually searching for ways to implement positive change for the City of Marion. Administration took appropriate and immediate action, when and where applicable, to address any concerns and issues that were found.

**CITY OF MARION**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Finding Number</b>	<b>2008-002</b>
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**Material Weakness - Management of Cash Collections (continued)**

In October 2008, a contract was signed with New World Systems and implementation of this software began in February 2009. The City of Marion's Financial Management component went live on the new system July 1, 2009. Payroll, Human Resources and Utility Billing components are underway and will be up and running on January 1, 2010. We believe this software will be very instrumental in improving this issue.

City Administration will continue to address any future issues and implement internal controls to improve the management of cash collections. In addition, internal audit procedures are being performed randomly in all departments by the City's Internal Auditor.

<b>Finding Number</b>	<b>2008-003</b>
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**Material Weakness - Delinquent Income Tax Collections**

Our audit procedures disclosed inadequate support and documentation with respect to income tax receivables that had been adjusted or written off after communication with the customers. We feel that the following factors contribute to this deficiency; lack of reconciliation and inadequate review for cash receipts. This lack of control led the inability to determine accurate income tax receivable balances by evaluating the appropriate allowance/write off associated with those income tax delinquencies.

We recommend that the accounts receivable system be improved. Procedures should also be established to verify that accounts receivable balances are reconciled between the general ledger and the subsidiary on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. These procedures will assist in establishing reliable internal controls for the billing and collection of income tax receivables and revenues.

We believe this area warrants careful observation because better collection efforts and monitoring of slow-paying and past-due accounts can substantially improve overall collections. As truly uncollectible accounts are identified, they should be written off and removed from the books. This process, however, should not occur until all efforts of collection are exhausted. We recommend that the City develop a system for communication and approval of all adjustments made to the receivable balances.

Our review of the disputed income tax receivable files indicated that customer credit files lacked adequate documentation, including accounts currently in litigation. Certain information is necessary to make informed judgments regarding the collectibility of the accounts. To facilitate the credit and collection function a complete file should be developed on each problem account. These files should contain all correspondence, pertinent legal documents, and histories of the progress being made on each account as well as ultimate resolution once it is achieved.

**Officials' Response:**

New administration took office January 1, 2008 and many past practices were maintained, while the administration was continually searching for ways to implement positive change for the City of Marion. Administration took appropriate and immediate action, when and where applicable, to address any concerns and issues that were found.

In October 2008, a contract was signed with New World Systems and implementation of this software began in February 2009. The City of Marion's Financial Management component went live on the new system July 1, 2009. Payroll, Human Resources and Utility Billing components are underway and will be up and running on January 1, 2010. We believe this software will be very instrumental in improving this issue.

City Administration will continue to address any future issues and implement internal controls to improve the appropriate tracking of all our tax dollars. In addition, internal audit procedures are being performed randomly in all departments by the City's Internal Auditor.

**CITY OF MARION**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Finding Number</b>	<b>2008-004</b>
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**Material Weakness - Delinquent Sanitation Collections**

Our audit procedures disclosed inadequate support and documentation with respect to delinquent sanitation collections. The main factor contributing to the deficiency is a lack of policy and procedure in how to handle the current amounts past due and a policy on how to handle those accounts that fall into default and become delinquent in the future. A recommendation has been provided to management in the recent past, coming out of audit testing and analysis, but due to less than full understanding and review, and the transition of new administration, proper measures have not been made to address the current delinquencies and develop policy to address those accounts that go into default in the future.

We recommend that a policy be created with the assistance of the Service Director and the Department head to review and determine the best approach in handling those amounts that are either past due or are in default. In addition, this policy should include a procedure on the efforts of collecting the past due amounts and once the efforts are exhausted, how the City will determine what portions are truly uncollectible, and remove them from the books to write them off. Procedures should also be structured to establish a way to verify that the delinquent balances are reconciled between the general ledger and the subsidiary records on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. These procedures will assist in establishing reliable internal control for the billing and collection of delinquent sanitation and revenues.

We believe this area warrants careful observation because better collection efforts and monitoring of slow-paying and past-due accounts can substantially improve overall collections. We recommend that the City develop a system for communication and approval of all adjustments made to the past due sanitation balances and also a correspondence file pertinent to collection processes and what attempts have been made for collecting these balances.

**Officials' Response:**

New administration took office January 1, 2008 and many past practices were maintained, while the administration was continually searching for ways to implement positive change for the City of Marion. Administration took appropriate and immediate action, when and where applicable, to address any concerns and issues that were found.

In October 2008, a contract was signed with New World Systems and implementation of this software began in February 2009. The City of Marion's Financial Management component went live on the new system July 1, 2009. Payroll, Human Resources and Utility Billing components are underway and will be up and running on January 1, 2010. We believe this software will be very instrumental in improving this issue.

City Administration will continue to address any future issues and implement internal controls to improve the procedures on how to deal with delinquent accounts. In addition, internal audit procedures are being performed randomly in all departments by the City's Internal Auditor.

<b>Finding Number</b>	<b>2008-005</b>
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**Noncompliance Citation - Appropriations Exceeding Estimated Resources**

Ohio Revised Code Section 5705.39, states that the total appropriations from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

We recommend the City Auditor periodically review the City's appropriations versus certified estimated resources to identify and investigate any variance and to help monitor legal compliance. The City officials should ensure that each time appropriations are adopted or amended, the City should ensure the certificate of the County Auditor is received indicating appropriations do not exceed estimated resources.

**CITY OF MARION**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Finding Number</b>	<b>2008-005</b>
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**Noncompliance Citation - Appropriations Exceeding Estimated Resources - continued**

**Officials' Response:**

New administration took office January 1, 2008 and many past practices were maintained, while the administration was continually searching for ways to implement positive change for the City of Marion. Administration took appropriate and immediate action, when and where applicable, to address any concerns and issues that were found.

City Administration will continue to address any future issues and implement internal controls to improve the procedures on how to deal with tracking of appropriations to verify they are not exceeding the estimated resources throughout the year.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**CITY OF MARION**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Payroll Calculation and Review	Yes	When the new administration took over in January 2008, they implemented additional procedures to verify proper review of payroll was taking place on a per pay basis.







Mary Taylor, CPA  
Auditor of State

**CITY OF MARION**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 22, 2009**