



Dave Yost • Auditor of State

**CITY OF MARION
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion & Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet-Governmental Funds	16
Reconciliation of Total Government Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget (Non-GAAP Budgetary Basis) and Actual-General Fund	20
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget (Non-GAAP Budgetary Basis) and Actual-Street Construction Maintenance & Repair Fund	21
Statement of Fund Net Position - Proprietary Funds.....	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Assets and Liabilities - Agency Funds	30
Notes to the Basic Financial Statements	31
Schedule of Federal Awards Expenditures.....	75
Notes to the Schedule of Federal Awards Expenditures	76
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.....	77
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	79
Schedule of Findings and Questioned Cost.....	83

**CITY OF MARION
MARION COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Corrective Action Plan.....	95
Schedule of Prior Audit Findings and Questioned Costs.....	97



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Marion
Marion County
233 West Center Street
Marion, Ohio 43302

To the City Council:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
Street Construction, Maintenance and Repair Fund	Unmodified
Sewer Fund	Unmodified
Sanitation Fund	Unmodified
Landfill Fund	Unmodified
Storm Water Fund	Unmodified
Aquatics Center Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Aquatics Center Fund

City's Aquatics Center did not maintain documentation that would provide assurance as to the completeness of revenues for memberships, daily admissions, and concessions reported as charges for services. These charges for services were reported at \$271,288 for the year ended December 31, 2012 which is 96% of total operating revenues reported in the Aquatics Center Fund, one of the City's major funds. We were unable to obtain sufficient appropriate audit evidence regarding the Aquatics Center charges for services and were unable to determine whether adjustments to the financial statement amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aquatics Center Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Aquatics Center Fund of the City of Marion, Marion County, Ohio (the City), as of and for the year ended December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, the General, Street Construction Maintenance and Repair, Sewer, Sanitation, Landfill, and Stormwater funds, 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, 2012, and the respective changes in its financial position and where applicable, its cash flows thereof and the respective budgetary comparisons for the General and Street Construction Maintenance and Repair funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 25 to the financial statements, the City has had recurring losses from operations and has a net asset deficiency. Note 25 describes management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Federal Awards Expenditure Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

Other Matters (Continued)

Supplementary and Other Information (Continued)

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 6, 2013

CITY OF MARION
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
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, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2012 are as follows:

In total, the City's net position decreased 2 percent from the prior year; a decrease of 6 percent for governmental activities and an increase of 34 percent for business-type activities.

General revenues made up 68 percent of the total revenues for governmental activities in 2012, and of this amount, 54 percent was provided through municipal income taxes, the most critical of the City's revenue sources. Program revenues, primarily user charges, made up 95 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 position 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, and the Sewer, Sanitation, Landfill, Storm Water, and Aquatics Center enterprise funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2012. 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 position and changes in net position. This change in net position 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
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

In the statement of net position 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 as well as the City's aquatics center 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, and the Sewer, Sanitation, Landfill, Storm Water, and Aquatics Center 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, storm water, and the aquatics center's 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
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2012 and 2011.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current and Other Assets	\$12,594,482	\$14,718,622	\$11,849,319	\$9,926,627	\$24,443,801	\$24,645,249
Capital Assets, Net	68,567,364	71,048,900	44,661,458	43,564,624	113,228,822	114,613,524
Total Assets	<u>81,161,846</u>	<u>85,767,522</u>	<u>56,510,777</u>	<u>53,491,251</u>	<u>137,672,623</u>	<u>139,258,773</u>
<u>Liabilities</u>						
Current and Other Liabilities	3,625,048	3,520,770	1,832,088	10,389,778	5,457,136	13,910,548
Long-Term Liabilities	9,648,588	9,947,528	42,903,153	34,298,432	52,551,741	44,245,960
Total Liabilities	<u>13,273,636</u>	<u>13,468,298</u>	<u>44,735,241</u>	<u>44,688,210</u>	<u>58,008,877</u>	<u>58,156,508</u>
Deferred Inflows of Resources	<u>1,507,873</u>	<u>1,603,069</u>	<u>0</u>	<u>0</u>	<u>1,507,873</u>	<u>1,603,069</u>
<u>Net Position</u>						
Net Investment in Capital Assets	63,770,617	66,187,425	11,273,829	11,772,304	75,044,446	77,959,729
Restricted	5,438,734	7,152,831	0	0	5,438,734	7,152,831
Unrestricted (Deficit)	<u>(2,829,014)</u>	<u>(2,644,101)</u>	<u>501,707</u>	<u>(2,969,263)</u>	<u>(2,327,307)</u>	<u>(5,613,364)</u>
Total Net Position	<u>\$66,380,337</u>	<u>\$70,696,155</u>	<u>\$11,775,536</u>	<u>\$8,803,041</u>	<u>\$78,155,873</u>	<u>\$79,499,196</u>

For governmental activities, the most significant change from the prior year is reflected in the decrease in current and other assets and restricted net position. This primarily reflects restricted cash resources spent in the governmental funds for construction activities related to the new Aquatics Center.

For business-type activities, there was a significant increase in current and other assets. There was an increase in cash and cash equivalents due to unspent debt proceeds at year end as well as a reduction in expenses (staffing) led to additional cash on hand at year end. There was also an increase in accounts receivable. A reduction in the allowance for doubtful accounts (which reduced the receivable in prior years) contributed to this increase. The City wrote off uncollectible sanitation accounts during the year. There was also a significant decrease in current and other liabilities and corresponding increase in long-term liabilities as the City retired bond anticipation notes with long-term financing.

CITY OF MARION
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2 reflects the change in net position for 2012 and 2011.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$2,031,406	\$2,763,407	\$9,809,112	\$9,734,361	\$11,840,518	\$12,497,768
Operating Grants, Contributions, and Interest	4,852,977	5,328,581	0	131,206	4,852,977	5,459,787
Capital Grants, Contributions, and Interest	766,305	342,991	292,397	1,990,553	1,058,702	2,333,544
Total Program Revenues	<u>7,650,688</u>	<u>8,434,979</u>	<u>10,101,509</u>	<u>11,856,120</u>	<u>17,752,197</u>	<u>20,291,099</u>
General Revenues						
Property Taxes Levied for General Purposes	1,039,593	1,081,136	0	0	1,039,593	1,081,136
Property Taxes Levied for Police and Fire Pension	190,451	196,399	0	0	190,451	196,399
Payment in Lieu of Taxes	375,340	366,126	0	0	375,340	366,126
Municipal Income Taxes Levied for General Purposes	12,233,801	11,166,623	0	0	12,233,801	11,166,623
Municipal Income Taxes Levied for Street Construction, Maintenance, and Repair	369,225	279,941	0	0	369,225	279,941
Municipal Income Taxes Levied for Capital Improvements	370,907	317,767	0	0	370,907	317,767
Grants and Entitlements not Restricted to Specific Programs	1,273,569	2,146,727	0	0	1,273,569	2,146,727
Franchise Taxes	312,562	297,964	0	0	312,562	297,964
Interest	78,660	166,410	0	0	78,660	166,410
Other	213,899	252,278	745,296	275,865	959,195	528,143
Total General Revenues	<u>16,458,007</u>	<u>16,271,371</u>	<u>745,296</u>	<u>275,865</u>	<u>17,203,303</u>	<u>16,547,236</u>
Total Revenues	<u>24,108,695</u>	<u>24,706,350</u>	<u>10,846,805</u>	<u>12,131,985</u>	<u>34,955,500</u>	<u>36,838,335</u>
<u>Program Expenses</u>						
Security of Persons and Property						
Police	5,757,434	6,641,183	0	0	5,757,434	6,641,183
Fire	4,843,734	5,864,658	0	0	4,843,734	5,864,658
Other	297,776	258,206	0	0	297,776	258,206
Public Health	447,973	489,284	0	0	447,973	489,284
Leisure Time Activities	920,509	1,126,954	0	0	920,509	1,126,954
Community Environment	1,401,447	2,572,072	0	0	1,401,447	2,572,072
Transportation						
Transit	1,071,114	922,873	0	0	1,071,114	922,873
Other	5,767,795	6,600,017	0	0	5,767,795	6,600,017

(continued)

CITY OF MARION
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Program Expenses</u> (continued)						
General Government						
Court	\$1,042,867	\$976,447	\$0	\$0	\$1,042,867	\$976,447
Other	4,455,649	3,396,209	0	0	4,455,649	3,396,209
Interest and Fiscal Charges	175,311	182,157	0	0	175,311	182,157
Sewer	0	0	5,270,225	5,796,461	5,270,225	5,796,461
Sanitation	0	0	2,146,238	2,196,659	2,146,238	2,196,659
Landfill	0	0	125,998	(5,259)	125,998	(5,259)
Storm Water	0	0	1,883,897	2,299,682	1,883,897	2,299,682
Aquatics Center	0	0	690,856	297,524	690,856	297,524
Total Expenses	<u>26,181,609</u>	<u>29,030,060</u>	<u>10,117,214</u>	<u>10,585,067</u>	<u>36,298,823</u>	<u>39,615,127</u>
Increase (Decrease) in Net Position						
Before Transfers	(2,072,914)	(4,323,710)	729,591	1,546,918	(1,343,323)	(2,776,792)
Transfers	<u>(2,242,904)</u>	<u>361,296</u>	<u>2,242,904</u>	<u>(361,296)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	(4,315,818)	(3,962,414)	2,972,495	1,185,622	(1,343,323)	(2,776,792)
Net Position Beginning of Year	<u>70,696,155</u>	<u>74,658,569</u>	<u>8,803,041</u>	<u>7,617,419</u>	<u>79,499,196</u>	<u>82,275,988</u>
Net Position End of Year	<u>\$66,380,337</u>	<u>\$70,696,155</u>	<u>\$11,775,536</u>	<u>\$8,803,041</u>	<u>\$78,155,873</u>	<u>\$79,499,196</u>

The above table reflects the revenues and expenses for operating the City during 2012. For governmental activities, program revenues reflect the most significant changes from the prior year. In 2011, the City hired a firm to assist in the collection of outstanding EMS charges. Due to collection of those delinquencies, revenue was greater in 2011. Also in 2011, the City received additional grant resources, particularly the Clean Ohio Grant obtained from the Department of Development, for use on the Linden Place property. Similar resources were not received in 2012 resulting in a decrease in operating grants and contributions. There was an increase in capital grants and contributions for 2012 due to resources received for street and airport improvements. For general revenues, there was an increase in municipal income taxes due to improving economic conditions and the City's decreasing the credit allowed for taxes paid to other municipalities from 100 percent to 50 percent effective June 30, 2012. The decrease in unrestricted grants and entitlements is due to lower estate taxes received in 2012 as well as the State's continued reduction in local government funding.

Expenses for governmental activities decreased 10 percent from 2011. Layoffs in the police department and concessions by the firefighters contributed to the decrease in security of persons and property expenses. In 2011, the City had resources from the Clean Ohio Grant which were spent in the community environment program.

As is to be expected, 90 percent for the revenues for business type activities are received through charges for services provided to the users of the service. The decrease in capital grants and contributions is due to resources related to sewer and storm water projects in the prior year. Decreases in sewer and storm water expenses reflect a reduction in staffing; a combination of layoffs as well as not replacing other folks leaving employment with the City. The change in the Landfill fund reflects an adjustment for postclosure costs. The increase in the expense for the Aquatics Center was due to being fully operational in 2012.

CITY OF MARION
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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	
	2012	2011	2012	2011
Security of Persons and Property				
Police	\$5,757,434	\$6,641,183	\$5,399,439	\$6,129,975
Fire	4,843,734	5,864,658	4,218,945	4,753,007
Other	297,776	258,206	297,776	258,206
Public Health	447,973	489,284	447,973	396,555
Leisure Time Activities	920,509	1,126,954	709,060	870,795
Community Environment	1,401,447	2,572,072	323,878	521,764
Transportation				
Transit	1,071,114	922,873	(365,749)	(184,745)
Other	5,767,795	6,600,017	3,452,587	4,781,002
General Government				
Court	1,042,867	976,447	132,863	5,477
Other	4,455,649	3,396,209	3,738,838	2,880,888
Interest and Fiscal Charges	175,311	182,157	175,311	182,157
Total Expenses	<u>\$26,181,609</u>	<u>\$29,030,060</u>	<u>\$18,530,921</u>	<u>\$20,595,081</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 (such as rental fees, membership and admission charges) and operating grants provide for 23 percent of the costs of the leisure time activities program. Various operating grants, generally the CDBG and CHIP programs, provided for 77 percent of the costs of the community environment program. Charges for services and various grants and contributions provided for 55 percent of transportation costs. The transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes. In addition, the City receives grants to assist in operating the public transit system. Lastly, court related fines and charges provided program revenues almost covering the costs of court operations.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Street Construction, Maintenance, and Repair special revenue fund. Unlike the prior year, fund balance in the General Fund increased. With the increase in income taxes and staff reductions and concessions, the City did not have to spend carryover balances like prior years.

Fund balance increased significantly in the Street Construction, Maintenance, and Repair Fund. Revenues were fairly similar to the prior year; however, expenditures decreased due to the completion of street projects. In addition, the fund continued to receive an operating subsidy from other funds of approximately \$726,000.

CITY OF MARION
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds provide for wastewater treatment, trash collection, landfill postclosure activities, the storm water runoff system, and operations of an aquatics center.

Net position increased 15 percent in the Sewer Fund due to a reduction in expenses largely the result of staffing reductions.

The Sanitation Fund had a 25 percent increase in net position. There was a slight increase in charges for services revenue and a slight decrease in expenses.

The Landfill Fund had a 4 percent decrease in net position. The Landfill stopped accepting waste in 1995; all costs at this point are related to postclosure activities.

The Storm Water Fund had a 4 percent decrease in net position due to a slight increase in revenues and slight decrease in expenses.

Net position increased in the Aquatics Center Fund. The Center opened for operations in June 2012 with the majority of the construction completed in the prior year.

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. Changes from the original budget to the final budget as well as from the final budget to actual revenues received 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, 2012, was \$68,567,364 and \$44,661,458, respectively (net of accumulated depreciation). The most significant additions for governmental activities included both ongoing and completed street improvements, replacement of the HVAC system at City Hall, construction of T-Hangars along the taxiway at the airport, renovation of the terminal for the transit system, and two trucks for the street department. The City disposed of several vehicles during the year. The most significant additions for business-type activities were both ongoing and completed sewer and storm water improvements. 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, 2012, the City had bond anticipation notes payable from governmental and business-type activities, in the amount of \$300,000 and \$1,030,000, respectively. The City also had a number of long-term obligations outstanding including \$28,510,000 in general obligation bonds, \$528,859 in loans for an ODOT related project, \$1,351,036 in Ohio Public Works Commission loans, \$147,346 in capital loans, and \$15,377,917 in Ohio Water Development Authority loans. Of this debt, \$40,419,051 will be paid from business-type activities.

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

CITY OF MARION
Marion County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

CURRENT ISSUES

In 2012, City Council approved several changes to the City's income tax guidelines. They approved universal filing and reduced the income tax credit to other municipalities to 50 percent. For the 2013 budget, it is anticipated that these changes to generate an additional \$300,000 in revenue. As of April 2013, it has generated approximately \$292,000 which indicates we are on target for this projection. City Council also placed a .25 percent income tax increase on the ballot for safety service departments with 10 percent of those collections to be used for street maintenance. The voters approved this increase in November 2012 and the increase took effect on January 1, 2013. So far it has generated approximately \$344,000. As a result, the City has been able to recall four police officers that had been laid off and hopes to recall an additional seven officers by year end. However, Fire Station #2 has been closed due to staffing issues. With the passage of the .25 percent income tax, the City is hopeful that the station be reopened part-time sometime this year.

The Administration is beginning to work on the 2014 budget and the Mayor continues to work on retention and expansion with local businesses.

In 2013, the AFSCME contract was opened and negotiated. Some highlights include a 6 percent pension shift back to the employees for retirement (the City will pick up less of the employee share of this cost). The option to sell back sick leave and compensatory time to the City was also removed from the contract. The new contract took effect on April 1, 2013, and is a three-year contract. The IAFF extended its current contract for one year and the Police Blue and Gold unit contract expires on December 31, 2013.

The Transit System completed its new building in 2012. The City had received American Recovery and Reinvestment (ARRA) money for this construction. They are currently working with the Ohio Department of Transportation to acquire scheduling software which would complete the transit upgrade.

The City has received a grant from the Solid Waste Management District, in the amount of 90,000, to purchase a new recycling truck. Regional Planning was awarded a Moving Ohio Forward Grant, in the amount of 460,000. These resources will be used for the demolition of blighted buildings in Marion County, most of which are located within the City's corporation limits.

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 Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,477,719	\$4,958,340	\$8,436,059
Accounts Receivable	669,201	6,847,363	7,516,564
Accrued Interest Receivable	5,690	0	5,690
Due from Other Governments	1,942,046	30,902	1,972,948
Municipal Income Taxes Receivable	3,139,625	0	3,139,625
Internal Balances	121,319	(121,319)	0
Prepaid Items	43,865	23,802	67,667
Materials and Supplies Inventory	389,538	110,231	499,769
Property Taxes Receivable	1,495,207	0	1,495,207
Payment in Lieu of Taxes Receivable	338,261	0	338,261
Notes Receivable	972,011	0	972,011
Nondepreciable Capital Assets	9,917,830	1,895,779	11,813,609
Depreciable Capital Assets, Net	58,649,534	42,765,679	101,415,213
Total Assets	81,161,846	56,510,777	137,672,623
<u>Liabilities</u>			
Accrued Wages Payable	449,504	89,176	538,680
Accounts Payable	267,408	85,949	353,357
Contracts Payable	870,141	370,766	1,240,907
Due to Other Governments	1,067,922	162,019	1,229,941
Retainage Payable	254,856	18,735	273,591
Matured Compensated Absences Payable	92,981	0	92,981
Separation Benefits Payable	299,533	0	299,533
Accrued Interest Payable	21,701	75,443	97,144
Notes Payable	300,000	1,030,000	1,330,000
Due to External Parties	1,002	0	1,002
Long-Term Liabilities			
Due Within One Year	898,036	2,883,431	3,781,467
Due in More Than One Year	8,750,552	40,019,722	48,770,274
Total Liabilities	13,273,636	44,735,241	58,008,877
<u>Deferred Inflows of Resources</u>			
Property Taxes	1,169,612	0	1,169,612
Payment in Lieu of Taxes	338,261	0	338,261
Total Deferred Inflows of Resources	1,507,873	0	1,507,873
<u>Net Position</u>			
Net Investment in Capital Assets	63,770,617	11,273,829	75,044,446
Restricted for			
Capital Projects	1,471,021	0	1,471,021
Street Construction, Maintenance, and Repair	1,912,779	0	1,912,779
Other Purposes	2,054,934	0	2,054,934
Unrestricted (Deficit)	(2,829,014)	501,707	(2,327,307)
Total Net Position	\$66,380,337	\$11,775,536	\$78,155,873

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$5,757,434	\$65,097	\$292,898	\$0
Fire	4,843,734	558,023	66,766	0
Other	297,776	0	0	0
Public Health	447,973	0	0	0
Leisure Time Activities	920,509	21,382	190,067	0
Community Environment	1,401,447	0	1,062,268	15,301
Transportation				
Transit	1,071,114	109,913	1,326,950	0
Other	5,767,795	30,343	1,533,861	751,004
General Government				
Court	1,042,867	906,277	3,727	0
Other	4,455,649	340,371	376,440	0
Interest and Fiscal Charges	175,311	0	0	0
Total Governmental Activities	26,181,609	2,031,406	4,852,977	766,305
<u>Business-Type Activities</u>				
Sewer	5,270,225	5,580,190	0	72,871
Sanitation	2,146,238	2,823,504	0	0
Landfill	125,998	0	0	0
Storm Water	1,883,897	1,134,130	0	219,526
Aquatics Center	690,856	271,288	0	0
Total Business-Type Activities	10,117,214	9,809,112	0	292,397
Total	\$36,298,823	\$11,840,518	\$4,852,977	\$1,058,702

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Police and Fire Pension
Payment in Lieu of Taxes
Municipal Income Taxes Levied for General Purposes
Municipal Income Taxes Levied for Street Construction,
Maintenance, and Repair
Municipal Income Taxes Levied for Capital Improvements
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (Note3)

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$5,399,439)	\$0	(\$5,399,439)
(4,218,945)	0	(4,218,945)
(297,776)	0	(297,776)
(447,973)	0	(447,973)
(709,060)	0	(709,060)
(323,878)	0	(323,878)
365,749	0	365,749
(3,452,587)	0	(3,452,587)
(132,863)	0	(132,863)
(3,738,838)	0	(3,738,838)
(175,311)	0	(175,311)
<u>(18,530,921)</u>	<u>0</u>	<u>(18,530,921)</u>
0	382,836	382,836
0	677,266	677,266
0	(125,998)	(125,998)
0	(530,241)	(530,241)
0	(419,568)	(419,568)
<u>0</u>	<u>(15,705)</u>	<u>(15,705)</u>
<u>(18,530,921)</u>	<u>(15,705)</u>	<u>(18,546,626)</u>
1,039,593	0	1,039,593
190,451	0	190,451
375,340	0	375,340
12,233,801	0	12,233,801
369,225	0	369,225
370,907	0	370,907
1,273,569	0	1,273,569
312,562	0	312,562
78,660	0	78,660
213,899	745,296	959,195
16,458,007	745,296	17,203,303
(2,242,904)	2,242,904	0
<u>14,215,103</u>	<u>2,988,200</u>	<u>17,203,303</u>
(4,315,818)	2,972,495	(1,343,323)
70,696,155	8,803,041	79,499,196
<u>\$66,380,337</u>	<u>\$11,775,536</u>	<u>\$78,155,873</u>

City of Marion
Balance Sheet
Governmental Funds
For the Year Ended December 31, 2012

	General	Street Construction, Maintenance, and Repair	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$436,871	\$434,258	\$2,529,004	\$3,400,133
Accounts Receivable	657,582	0	3,823	661,405
Accrued Interest Receivable	5,690	0	0	5,690
Due from Other Governments	446,336	621,231	874,479	1,942,046
Municipal Income Taxes Receivable	2,951,249	94,188	94,188	3,139,625
Interfund Receivable	661,232	1,117,914	284,389	2,063,535
Prepaid Items	32,173	5,736	3,774	41,683
Materials and Supplies Inventory	26,626	139,106	725	166,457
Property Taxes Receivable	1,265,769	0	229,438	1,495,207
Payment in Lieu of Taxes Receivable	0	0	338,261	338,261
Notes Receivable	0	0	972,011	972,011
Total Assets	\$6,483,528	\$2,412,433	\$5,330,092	\$14,226,053
<u>Liabilities</u>				
Accrued Wages Payable	\$372,415	\$31,107	\$37,013	\$440,535
Accounts Payable	181,082	22,607	46,353	250,042
Contracts Payable	0	204,140	666,001	870,141
Due to Other Governments	918,934	35,918	102,118	1,056,970
Due to External Parties	1,002	0	0	1,002
Retainage Payable	0	0	254,856	254,856
Matured Compensated Absences Payable	92,981	0	0	92,981
Interfund Payable	1,426,998	22,148	434,176	1,883,322
Notes Payable	0	0	300,000	300,000
Total Liabilities	2,993,412	315,920	1,840,517	5,149,849
<u>Deferred Inflows of Resources</u>				
Property Taxes	990,511	0	179,101	1,169,612
Payment in Lieu of Taxes	0	0	338,261	338,261
Unavailable Revenue	3,061,772	577,049	867,845	4,506,666
Total Deferred Inflows of Resources	4,052,283	577,049	1,385,207	6,014,539
<u>Fund Balance</u>				
Nonspendable	58,799	1,262,756	287,387	1,608,942
Restricted	0	256,708	2,892,629	3,149,337
Committed	464	0	0	464
Assigned	170,522	0	0	170,522
Unassigned (Deficit)	(791,952)	0	(1,075,648)	(1,867,600)
Total Fund Balance (Deficit)	(562,167)	1,519,464	2,104,368	3,061,665
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$6,483,528	\$2,412,433	\$5,330,092	\$14,226,053

See Accompanying Notes to the Basic Financial Statements

City of Marion
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2012

Total Governmental Fund Balance \$3,061,665

Amounts reported for governmental activities on the statement of net position 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	68,567,364	
Internal Service Fund	(1,620,592)	
		66,946,772

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

Accounts Receivable	437,236	
Accrued Interest Receivable	3,074	
Due from Other Governments	1,659,709	
Municipal Income Taxes Receivable	1,886,976	
Delinquent Property Taxes Receivable	325,595	
Special Assessments Receivable	194,076	
		4,506,666

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

(141,849)

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

Accrued Interest Payable	(18,325)	
General Obligation Bonds Payable	(4,715,800)	
General Obligation Bonds Payable - Internal Service Fund	1,180,000	
ODOT DRIP TIF Payable	(528,859)	
OPWC Loans Payable	(64,102)	
Capital Loans Payable	(147,346)	
Compensated Absences Payable	(4,192,481)	
Compensated Absences Payable - Internal Service Fund	46,956	
Separation Benefits Payable	(299,533)	
		(8,739,490)

An internal service fund is used by management to charge the cost of motor pool/vehicle maintenance to individual funds. The asset and liabilities of the internal service fund are included in governmental activities on the statement of net position.

746,573

Net Position of Governmental Activities

\$66,380,337

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012

	General	Street Construction, Maintenance, and Repair	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$1,025,576	\$0	\$187,595	\$1,213,171
Payment in Lieu of Taxes	0	0	375,340	375,340
Municipal Income Taxes	11,957,101	360,394	362,076	12,679,571
Charges for Services	1,128,913	3,400	109,913	1,242,226
Fees, Licenses, and Permits	349,446	17,200	0	366,646
Fines and Forfeitures	746,304	0	313,159	1,059,463
Intergovernmental	1,417,776	1,479,497	3,725,859	6,623,132
Interest	79,060	236	16,525	95,821
Other	180,738	143	112,024	292,905
Total Revenues	16,884,914	1,860,870	5,202,491	23,948,275
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	5,104,247	0	388,560	5,492,807
Fire	4,719,107	0	93,723	4,812,830
Other	297,776	0	0	297,776
Public Health	447,638	0	0	447,638
Leisure Time Activities	755,195	0	177,350	932,545
Community Environment	307,205	0	1,094,242	1,401,447
Transportation				
Transit	0	0	1,578,161	1,578,161
Other	249,681	1,728,598	814,842	2,793,121
General Government				
Court	756,754	0	257,773	1,014,527
Other	3,054,742	0	1,522,430	4,577,172
Debt Service:				
Principal Retirement	0	0	397,628	397,628
Interest and Fiscal Charges	0	0	175,472	175,472
Total Expenditures	15,692,345	1,728,598	6,500,181	23,921,124
Excess of Revenues Over (Under) Expenditures	1,192,569	132,272	(1,297,690)	27,151
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	16,050	0	7,350	23,400
Transfers In	119,313	725,980	706,450	1,551,743
Transfers Out	(1,176,059)	0	(2,706,230)	(3,882,289)
Total Other Financing Sources (Uses)	(1,040,696)	725,980	(1,992,430)	(2,307,146)
Changes in Fund Balance	151,873	858,252	(3,290,120)	(2,279,995)
Fund Balance (Deficit) Beginning of Year - Restated (Note 3)	(714,040)	661,212	5,394,488	5,341,660
Fund Balance (Deficit) End of Year	(\$562,167)	\$1,519,464	\$2,104,368	\$3,061,665

See Accompanying Notes to the Basic Financial Statements

City of Marion
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2012

Changes in Fund Balance - Total Governmental Funds (\$2,279,995)

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

Governmental 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	1,870,382	
Capital Outlay - Depreciable Capital Assets	369,340	
Capital Contributions	87,642	
Depreciation	(4,749,166)	
Depreciation - Internal Service Fund	47,464	
	47,464	(2,374,338)

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

Proceeds from Sale of Capital Assets	(23,400)	
Gain on Disposal of Capital Assets	16,050	
Loss on Disposal of Capital Assets	(52,384)	
	(52,384)	(59,734)

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

Delinquent Property Taxes	16,873	
Municipal Income Taxes	294,362	
Charges for Services	(395,279)	
Fees, Licenses, and Permits	1,699	
Intergovernmental	218,321	
Interest	(732)	
Other	9,126	
	9,126	144,370

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

General Obligation Bonds Payable	232,700	
ODOT DRIP TIF Payable	78,619	
OPWC Loans Payable	6,410	
Capital Loans Payable	79,899	
	79,899	397,628

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. 161

Some expenses are 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	(147,438)	
Compensated Absences Payable - Internal Service Fund	4,542	
Separation Benefits Payable	42,229	
	42,229	(100,667)

The internal service fund is used by management to charge the cost of motor pool/vehicle maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. (43,243)

Change in Net Position of Governmental Activities (\$4,315,818)

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$1,062,053	\$1,042,937	\$1,025,576	(\$17,361)
Municipal Income Taxes	11,410,383	10,912,694	11,127,685	214,991
Charges for Services	1,001,137	1,111,060	1,132,773	21,713
Fees, Licenses, and Permits	338,925	342,695	349,446	6,751
Fines and Forfeitures	853,304	741,113	755,714	14,601
Intergovernmental	639,606	1,598,698	1,630,194	31,496
Interest	180,979	83,305	84,638	1,333
Other	90,912	166,835	167,555	720
Total Revenues	15,577,299	15,999,337	16,273,581	274,244
<u>Expenditures</u>				
<u>Current:</u>				
Security of Persons and Property				
Police	5,440,882	5,362,344	5,400,915	(38,571)
Fire	4,835,172	4,708,972	4,708,972	0
Other	329,681	248,475	248,475	0
Public Health	447,638	447,638	447,638	0
Leisure Time Activities	256,237	246,473	246,473	0
Community Environment	331,562	307,205	307,205	0
Transportation				
Other	270,021	244,523	244,523	0
General Government				
Court	778,462	786,263	786,263	0
Other	2,454,387	2,628,629	2,628,629	0
Total Expenditures	15,144,042	14,980,522	15,019,093	(38,571)
Excess of Revenues Over (Under) Expenditures	433,257	1,018,815	1,254,488	235,673
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	0	2,448	2,448	0
Sale of Capital Assets	16,050	16,050	16,050	0
Advances In	33,000	33,000	33,000	0
Transfers In	229,033	119,313	119,313	0
Transfers Out	(711,340)	(934,222)	(934,222)	0
Total Other Financing Sources (Uses)	(433,257)	(763,411)	(763,411)	0
Changes in Fund Balance	0	255,404	491,077	235,673
Fund Balance Beginning of Year	246,199	246,199	246,199	0
Fund Balance End of Year	\$246,199	\$501,603	\$737,276	\$235,673

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Street Construction, Maintenance, and Repair Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Municipal Income Taxes	\$993,000	\$1,073,874	\$1,085,816	\$11,942
Charges for Services	2,800	3,363	3,400	37
Fees, Licenses, and Permits	16,000	17,011	17,200	189
Intergovernmental	1,305,500	1,441,710	1,460,127	18,417
Interest	150	213	236	23
Other	2,500	2,500	143	(2,357)
Total Revenues	2,319,950	2,538,671	2,566,922	28,251
<u>Expenditures</u>				
<u>Current:</u>				
Transportation	2,158,791	2,117,681	2,117,681	0
Changes in Fund Balance	161,159	420,990	449,241	28,251
Fund Balance (Deficit) Beginning of Year	(14,983)	(14,983)	(14,983)	0
Fund Balance End of Year	\$146,176	\$406,007	\$434,258	\$28,251

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activities				
	Sewer	Sanitation	Landfill	Storm Water	Aquatics Center
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,316,552	\$2,737	\$0	\$1,440,419	\$198,632
Accounts Receivable	2,730,581	3,359,770	0	754,031	2,981
Due from Other Governments	15,451	0	0	15,451	0
Interfund Receivable	844	0	0	0	0
Prepaid Items	13,118	4,406	82	6,196	0
Materials and Supplies Inventory	108,501	852	0	878	0
Total Current Assets	6,185,047	3,367,765	82	2,216,975	201,613
<u>Non-Current Assets</u>					
Nondepreciable Capital Assets	1,136,933	0	162,571	596,275	0
Depreciable Capital Assets, Net	22,544,004	378,273	0	16,431,133	3,412,269
Total Non-Current Assets	23,680,937	378,273	162,571	17,027,408	3,412,269
Total Assets	29,865,984	3,746,038	162,653	19,244,383	3,613,882
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	47,905	26,542	0	12,565	2,164
Accounts Payable	67,167	2,460	10,895	2,190	3,237
Contracts Payable	195,854	0	10,697	164,215	0
Compensated Absences Payable	69,179	52,369	0	2,009	3,325
Due to Other Governments	55,324	80,831	124	19,010	6,730
Retainage Payable	11,235	0	0	7,500	0
Interfund Payable	789	21,773	241,121	329	0
Accrued Interest Payable	26,825	0	529	36,117	11,972
Notes Payable	115,000	0	0	915,000	0
General Obligation Bonds Payable	330,696	0	0	513,454	0
OWDA Loans Payable	1,480,365	0	182,197	0	0
OPWC Loans Payable	114,288	0	0	21,787	0
Postclosure Costs Payable	0	0	113,762	0	0
Total Current Liabilities	2,514,627	183,975	559,325	1,694,176	27,428
<u>Non-Current Liabilities</u>					
Compensated Absences Payable	294,441	54,797	0	5,803	25,040
General Obligation Bonds Payable	8,666,365	0	170,000	10,248,685	3,865,000
OWDA Loans Payable	13,286,583	0	388,772	0	0
OPWC Loans Payable	842,710	0	0	308,149	0
Postclosure Costs Payable	0	0	1,863,377	0	0
Total Non-Current Liabilities	23,090,099	54,797	2,422,149	10,562,637	3,890,040
Total Liabilities	25,604,726	238,772	2,981,474	12,256,813	3,917,468
<u>Net Position</u>					
Net Investment in Capital Assets	3,277,277	378,273	162,571	7,455,708	0
Unrestricted (Deficit)	983,981	3,128,993	(2,981,392)	(468,138)	(303,586)
Total Net Position (Deficit)	\$4,261,258	\$3,507,266	(\$2,818,821)	\$6,987,570	(\$303,586)

Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the net position of the internal service fund.

Net Position of Business-Type Activities

See Accompanying Notes to the Basic Financial Statements

	Governmental Activities
Total Enterprise	Internal Service
\$4,958,340	\$77,586
6,847,363	7,796
30,902	0
844	82,955
23,802	2,182
<u>110,231</u>	<u>223,081</u>
<u>11,971,482</u>	<u>393,600</u>
1,895,779	61,943
<u>42,765,679</u>	<u>1,558,649</u>
<u>44,661,458</u>	<u>1,620,592</u>
<u>56,632,940</u>	<u>2,014,192</u>
89,176	8,969
85,949	17,366
370,766	0
126,882	8,062
162,019	10,952
18,735	0
264,012	0
75,443	3,376
1,030,000	0
844,150	48,750
1,662,562	0
136,075	0
<u>113,762</u>	<u>0</u>
<u>4,979,531</u>	<u>97,475</u>
380,081	38,894
22,950,050	1,131,250
13,675,355	0
1,150,859	0
<u>1,863,377</u>	<u>0</u>
<u>40,019,722</u>	<u>1,170,144</u>
<u>44,999,253</u>	<u>1,267,619</u>
11,273,829	440,592
<u>359,858</u>	<u>305,981</u>
11,633,687	<u><u>\$746,573</u></u>
<u>141,849</u>	
<u><u>\$11,775,536</u></u>	

City of Marion
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities				
	Sewer	Sanitation	Landfill	Storm Water	Aquatics Center
<u>Operating Revenues</u>					
Charges for Services	\$5,580,190	\$2,823,504	\$0	\$1,134,130	\$271,288
Other	230,845	10,214	12,787	262,406	10,792
Total Operating Revenues	<u>5,811,035</u>	<u>2,833,718</u>	<u>12,787</u>	<u>1,396,536</u>	<u>282,080</u>
<u>Operating Expenses</u>					
Personal Services	1,542,586	1,206,800	0	584,581	279,328
Contractual Services	475,406	755,091	0	71,071	60,779
Materials and Supplies	584,268	127,056	82,998	249,428	90,406
Depreciation	1,975,221	48,568	0	496,017	0
Other	0	0	0	6	33
Total Operating Expenses	<u>4,577,481</u>	<u>2,137,515</u>	<u>82,998</u>	<u>1,401,103</u>	<u>430,546</u>
Operating Income (Loss)	<u>1,233,554</u>	<u>696,203</u>	<u>(70,211)</u>	<u>(4,567)</u>	<u>(148,466)</u>
<u>Non-Operating Revenues (Expenses)</u>					
Other Revenue	0	0	0	0	212,752
Interest Expense	(691,933)	0	(43,000)	(482,185)	(260,310)
Gain on Disposal of Capital Assets	800	3,900	0	800	0
Loss on Disposal of Capital Assets	(43,821)	0	0	(43,821)	0
Total Non-Operating Revenues (Expenses)	<u>(734,954)</u>	<u>3,900</u>	<u>(43,000)</u>	<u>(525,206)</u>	<u>(47,558)</u>
Income (Loss) before Contributions and Transfers	498,600	700,103	(113,211)	(529,773)	(196,024)
Capital Contributions	72,871	0	0	219,526	0
Transfers In	0	0	0	0	2,330,546
Changes in Net Position	571,471	700,103	(113,211)	(310,247)	2,134,522
Net Position (Deficit) Beginning of Year	<u>3,689,787</u>	<u>2,807,163</u>	<u>(2,705,610)</u>	<u>7,297,817</u>	<u>(2,438,108)</u>
Net Position (Deficit) End of Year	<u>\$4,261,258</u>	<u>\$3,507,266</u>	<u>(\$2,818,821)</u>	<u>\$6,987,570</u>	<u>(\$303,586)</u>

The change in net position 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.

Change in Net Position of Business-Type Activities

See Accompanying Notes to the Basic Financial Statements

Total Enterprise	Governmental Activities
	Internal Service
\$9,809,112	\$946,007
<u>527,044</u>	<u>32,180</u>
10,336,156	978,187
3,613,295	309,376
1,362,347	58,447
1,134,156	574,998
2,519,806	47,464
<u>39</u>	<u>0</u>
8,629,643	990,285
<u>1,706,513</u>	<u>(12,098)</u>
212,752	0
(1,477,428)	(41,288)
5,500	0
<u>(87,642)</u>	<u>0</u>
(1,346,818)	(41,288)
359,695	(53,386)
292,397	0
<u>2,330,546</u>	<u>0</u>
2,982,638	(53,386)
	<u>799,959</u>
	<u>\$746,573</u>
<u>(10,143)</u>	
<u>\$2,972,495</u>	

City of Marion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Sewer	Sanitation	Landfill	Storm Water	Aquatics Center
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$5,352,019	\$2,071,355	\$240,772	\$1,021,186	\$271,288
Cash Payments for Personal Services	(1,504,710)	(1,194,456)	0	(604,396)	(273,357)
Cash Payments for Contractual Services	(538,022)	(764,280)	(44,744)	(163,935)	(72,422)
Cash Payments to Vendors	(523,649)	(123,996)	(143,615)	(189,734)	(75,558)
Cash Received from Other Revenues	230,845	10,214	12,787	262,406	7,811
Cash Payments for Other Expenses	0	0	0	(6)	(33)
Net Cash Provided by (Used for) Operating Activities	<u>3,016,483</u>	<u>(1,163)</u>	<u>65,200</u>	<u>325,521</u>	<u>(142,271)</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Other Revenue	0	0	0	0	212,752
Transfers In	0	0	0	0	34,884
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>247,636</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Capital Contributions	57,420	0	0	204,075	0
Principal Paid on Bond Anticipation Notes	(3,130,400)	0	(150,000)	(2,619,600)	(3,500,000)
Principal Paid on General Obligation Bonds	(312,874)	0	0	(490,676)	0
Principal Paid on OWDA Loans	(1,655,939)	0	(174,523)	0	0
Principal Paid on OPWC Loans	(114,288)	0	0	(21,787)	0
Interest Paid on Bond Anticipation Notes	(47,461)	0	(2,238)	(45,204)	(52,208)
Interest Paid on General Obligation Bonds	(394,518)	0	(9,682)	(440,634)	(219,575)
Interest Paid on OWDA Loans	(258,804)	0	(30,551)	0	0
Bond Anticipation Notes Issued	115,000	0	0	915,000	0
General Obligation Bonds Issued	3,881,950	0	170,000	3,318,050	3,865,000
OWDA Loans Issued	202,050	0	0	0	0
Acquisition of Capital Assets	(524,222)	0	0	(1,012,138)	0
Sale of Capital Assets	800	3,900	0	800	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,181,286)</u>	<u>3,900</u>	<u>(196,994)</u>	<u>(192,114)</u>	<u>93,217</u>
Net Increase (Decrease) in Cash and Cash Equivalents	835,197	2,737	(131,794)	133,407	198,582
Cash and Cash Equivalents Beginning of Year	<u>2,481,355</u>	<u>0</u>	<u>131,794</u>	<u>1,307,012</u>	<u>50</u>
Cash and Cash Equivalents End of Year	<u><u>\$3,316,552</u></u>	<u><u>\$2,737</u></u>	<u><u>\$0</u></u>	<u><u>\$1,440,419</u></u>	<u><u>\$198,632</u></u>

Total Enterprise	Governmental Activities
	Internal Service
\$8,956,620	\$935,714
(3,576,919)	(299,359)
(1,583,403)	(71,056)
(1,056,552)	(574,535)
524,063	33,392
(39)	0
<u>3,263,770</u>	<u>24,156</u>
212,752	0
34,884	0
<u>247,636</u>	<u>0</u>
261,495	0
(9,400,000)	0
(803,550)	(48,750)
(1,830,462)	0
(136,075)	0
(147,111)	0
(1,064,409)	(41,359)
(289,355)	0
1,030,000	0
11,235,000	0
202,050	0
(1,536,360)	0
5,500	0
<u>(2,473,277)</u>	<u>(90,109)</u>
1,038,129	(65,953)
<u>3,920,211</u>	<u>143,539</u>
<u>\$4,958,340</u>	<u>\$77,586</u>

(continued)

City of Marion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012
(continued)

	Sewer	Sanitation	Landfill	Storm Water	Aquatics Center
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$1,233,554	\$696,203	(\$70,211)	(\$4,567)	(\$148,466)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Depreciation	1,975,221	48,568	0	496,017	0
Provision for Uncollectible Accounts	0	(1,191,803)	0	0	0
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(268,682)	475,377	0	(112,944)	(2,981)
(Increase) Decrease in Interfund Receivable	40,448	0	0	0	0
(Increase) Decrease in Prepaid Items	819	(999)	(82)	(5,016)	0
(Increase) Decrease in Materials and Supplies Inventory	(6,680)	(576)	0	(593)	0
Increase (Decrease) in Accrued Wages Payable	6,636	(4,631)	0	(772)	397
Increase (Decrease) in Accounts Payable	(4,469)	(56,739)	(2,693)	1,673	3,205
Increase (Decrease) in Contracts Payable	5,510	0	10,697	(29,411)	0
Increase (Decrease) in Due to Other Governments	10,495	34,255	0	(19,192)	4,801
Increase in Retainage Payable	3,735	0	0	0	0
Increase (Decrease) Interfund Payable	(333)	(25,183)	235,783	(359)	0
Increase in Compensated Absences Payable	20,229	24,365	0	685	773
Decrease in Postclosure Costs Payable	0	0	(108,294)	0	0
Net Cash Provided by (Used for) Operating Activities	<u>\$3,016,483</u>	<u>(\$1,163)</u>	<u>\$65,200</u>	<u>\$325,521</u>	<u>(\$142,271)</u>

Non-Cash Capital Financing Activities

During 2012, the Sewer enterprise fund purchased capital assets and donated them to governmental funds, in the amount of \$43,821.

During 2012, the Storm Water enterprise fund purchased capital assets and donated them to governmental funds, in the amount of \$43,821.

At December 31, 2012, the Sewer enterprise fund had a receivable related to the acquisition of capital assets, in the amount of \$15,451.

At December 31, 2012, the Storm Water enterprise fund had a receivable related to the acquisition of capital assets, in the amount of \$15,451.

See Accompanying Notes to the Basic Financial Statements

<u>Total Enterprise</u>	<u>Governmental Activities</u>
	<u>Internal Service</u>
1,706,513	(\$12,098)
2,519,806	47,464
(1,191,803)	0
90,770	(5,406)
40,448	(3,675)
(5,278)	(980)
(7,849)	21,266
1,630	3,286
(59,023)	(32,139)
(13,204)	0
30,359	1,999
3,735	0
209,908	(103)
46,052	4,542
(108,294)	0
<u>\$3,263,770</u>	<u>\$24,156</u>

City of Marion
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$46,032
Cash and Cash Equivalents in Segregated Accounts	71,727
Due from External Parties	<u>1,002</u>
Total Assets	<u><u>\$118,761</u></u>
<u>Liabilities</u>	
Undistributed Assets	<u><u>\$118,761</u></u>

See Accompanying Notes to the Basic Financial Statements

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

A. The City

The City of Marion 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 a mayor-council form of government. Legislative power is vested in a nine-member 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 of the City. All City officials, with the exception of the Safety Director and 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, street maintenance and repair, parks and recreation, public transit system, sewer, recycling, and sanitation, 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 organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Marion in 2012.

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, and two jointly-governed organizations, the Marion County General Health District and the Marion Port Authority. These organizations are presented in Notes 22 and 23 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Marion have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the City's accounting policies.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 position 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 position 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net position 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 business-type activities. 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 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 fund is presented in a single column on 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities, and deferred inflows of resources 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.

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 restricted for maintenance and repair of streets within the City.

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

Proprietary Funds

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

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

Sewer Fund - The Sewer Fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

Sanitation Fund - The Sanitation Fund accounts for garbage collection and recycling services provided to residential and commercial users within the City.

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

Storm Water Fund - The Storm Water Fund accounts for the operation of the storm water runoff system within the City.

Aquatics Center - The Aquatics Center Fund accounts for the operation of the City Aquatics Center.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 not available to support the City's own programs. The City did not have any trust funds in 2012. 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 position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. 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 position. The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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 funds 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 inflows of resources, and in the presentation of expenses versus expenditures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City did not report any deferred outflows of resources for 2012.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 increases 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 appropriations 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 pool is 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".

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2012, investments included negotiable certificates of deposit, federal agency securities, and mutual funds. Investments are reported at fair value, which is based on quoted market price or current share price.

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 2012 was \$79,060, which includes \$73,386 assigned from other City funds.

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, 2012, 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 services are consumed.

H. Inventory

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

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net position 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 position and in the fund.

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 value on 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 capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20-50 years	20 years
Buildings and Building Improvements	10-100 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

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances”.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving paying in the future. The amount is based on 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.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the 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. General obligation bonds and long-term loans are recognized as liabilities on the fund financial statements when due.

M. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes 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 position is available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivables.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by City Council. The City Council has authorized the Safety Director and the Service Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

O. 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, charges for anticipated postclosure costs at the landfill, admission charges for the Aquatics Center, 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 nonoperating.

P. Capital Contributions

Capital contributions arise from contributions from other funds.

Q. Interfund Transactions

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

R. 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 PRINCIPALS AND RESTATEMENT OF FUND BALANCE/NET POSITION

A. Change in Accounting Principals

For 2012, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPALS AND RESTATEMENT OF FUND BALANCE/NET POSITION (continued)

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the City's financial statements.

B. Restatement of Fund Balance/Net Position

In the prior year, the City did not accurately report interfund activity. The restatement had the following effect on fund balance as previously reported.

	General	Street Construction, Maintenance, and Repair	Other Governmental	Total Governmental Activities
Fund Balance at December 31, 2011	(\$1,122,640)	\$661,212	\$5,401,088	\$4,939,660
Interfund	408,600	0	(6,600)	402,000
Adjusted Fund Balance at December 31, 2011	<u>(\$714,040)</u>	<u>\$661,212</u>	<u>\$5,394,488</u>	<u>\$5,341,660</u>

The restatement had the following effect on net position.

Net Position at December 31, 2011	<u>\$70,294,155</u>
Interfund	402,000
Adjusted Net Position at December 31, 2011	<u>\$70,696,155</u>

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2012, the following funds had a deficit fund balance/net position:

Fund Type/Fund	Deficit
Major Fund	
General Fund	\$562,167
Nonmajor Special Revenue Funds	
Violence Against Women	20,000
School Resource Officer	28,119
COPS Grant	11,441
Clean Ohio Assistance	70,618
SAFER Grant	8,710
Marion Area Transit	23,400
Nonmajor Capital Projects Funds	
CDBG	16,869
Capital Improvements	42,823
Harding Centre	12,282
Airport Improvement	82,999
Street Improvement	471,000
Enterprise Funds	
Landfill	2,818,821
Aquatics Center	303,586

The deficit fund balances in the General Fund and the special revenue and capital project funds resulted from adjustments for accrued liabilities.

The deficit net position 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. The deficit net position in the Aquatics Center enterprise fund is due to the facility only being operational for half of the year. The facility did not open for admissions until May 2012.

B. Compliance

For the year ended December 31, 2012, the Sanitation enterprise fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$9,311. The Auditor will review appropriations to ensure they are within amounts available.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2012.

Fund Program/Department/Object	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
Security of Persons and Property - Police Police Department Personal Services	\$4,283,453	\$4,322,024	\$38,571
Special Revenue Funds			
Marion Municipal Court Assistance General Government - Court Municipal Court Capital Outlay	86,640	99,111	12,471
Violence Against Women Security of Persons and Property - Police Police Department Personal Services	11,160	14,048	2,888
Capital Projects Fund			
Tax Incremental Financing Debt Service Principal	78,619	85,029	6,410
Enterprise Funds			
Sewer Debt Service Interest Expense	654,088	700,783	46,695
Landfill Debt Service Interest Expense	40,233	42,471	2,238
Storm Water Debt Service Interest Expense	446,762	485,838	39,076
Aquatics Center Debt Service Interest Expense	219,575	271,783	52,208

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

At December 31, 2012, the School Resource Officer special revenue fund and the Landfill enterprise fund had deficit cash balances, in the amount of \$125 and \$240,772, respectively.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - 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 the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

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

Changes in Fund Balance

	General	Street Construction, Maintenance, and Repair
GAAP Basis	\$151,873	\$858,252
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2011, Received in Cash 2012	1,509,256	118,442
Accrued 2012, Not Yet Received in Cash	(2,086,275)	587,610
Expenditure Accruals:		
Accrued 2011, Paid in Cash 2012	(1,836,858)	(661,523)
Accrued 2012, Not Yet Paid in Cash	1,549,019	337,732
Cash Adjustments:		
Unrecorded Activity 2011	61,756	0
Unrecorded Activity 2012	235,265	0
Prepaid Items	38	(2,587)
Materials and Supplies Inventory	(6,102)	(62,705)

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Changes in Fund Balance
(continued)

	General	Street Construction, Maintenance, and Repair
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses into Financial Statements	\$68,173	\$0
Advances In	33,000	0
Transfers In	0	(725,980)
Transfer Out	811,932	0
Budget Basis	\$491,077	\$449,241

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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.

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, \$433,156 of the City's bank balance of \$4,859,870 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.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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, 2012, the City had the following investments:

	Total	Less Than Six Months	More Than Two Years
Federal National Mortgage Association Notes	\$1,005,375	\$0	\$1,005,375
Mutual Funds	2,936,897	2,936,897	0
Total	\$3,942,272	\$2,936,897	\$1,005,375

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.

The federal agency securities and the mutual funds carry a rating of Aaa by Moodys. 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.

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:

	Fair Value	Percentage of Portfolio
Federal National Mortgage Association	\$1,005,375	25.50%

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 7 - RECEIVABLES

Receivables at December 31, 2012, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; interfund; property taxes; payment in lieu of taxes, and notes. Receivables are considered collectible in full and within one year, except for municipal income taxes, interfund, property taxes, notes, and the allowance for uncollectibles related to utility services. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$934,512 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 Development Block Grant program. The notes have an annual interest rate of 2 percent to 5.34 percent and are to be repaid over periods ranging from ten to thirty years. A summary of the changes in notes receivable during 2012 follows:

	Balance December 31, 2011	New Loans	Repayments	Balance December 31, 2012
Special Revenue Fund				
CDBG Revolving Loan	\$705,873	\$0	\$2,038	\$703,835
Capital Projects Fund				
Harding Centre Loan	301,797	0	33,621	268,176
	\$1,007,670	\$0	\$35,659	\$972,011

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

	Sewer	Sanitation	Storm Water	Aquatics Center	Total Enterprise Funds
Accounts Receivable	\$2,730,581	\$3,812,969	\$754,031	\$2,981	\$7,300,562
Less Allowance for Uncollectibles	0	(453,199)	0	0	(453,199)
Net Accounts Receivable	\$2,730,581	\$3,359,770	\$754,031	\$2,981	\$6,847,363

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$84,097
Local Government	346,247
Cigarette Tax	746
Estate Tax	11,505
Bullet Proof Vest Grant	3,438
Marion County Auditor	45
United States Treasury	258
Total General Fund	446,336

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Major Funds (continued)	
Street Construction, Maintenance, and Repair	
Gasoline Tax	\$497,277
Motor Vehicle License Tax	123,954
Total Street Construction, Maintenance, and Repair	621,231
Total Major Funds	1,067,567
Nonmajor Funds	
ARRA	
Department of Justice	8,843
ARRA Grant	25,863
Total ARRA	34,706
State Highway	
Gasoline Tax	40,320
Senior Citizens	
Ohio District 5 Area on Aging	48,667
School Resource Officer	
School Resource Officer	9,357
Community Corrections	
Community Based Corrections	83,695
Indigent Alcohol	
Department of Public Safety	1,757
Police and Fire Pension	
Homestead and Rollback	15,265
Tangible Personal Property Tax	5,906
Total Police and Fire Pension	21,171
Clean Ohio Revitalization	
Clean Ohio Revitalization	70,618
SAFER Grant	
SAFER Grant	59,017
Marion Area Transit	
Rural Transit Grant	22,673
Tri-Rivers JVS	137
Total Marion Area Transit	22,810
CDBG	
Formula Grant	1,396
Airport Improvement	
FAA Grant	9,965
Street Improvement	
Ohio Public Works Commission	471,000
Total Nonmajor Funds	874,479
Total Governmental Activities	\$1,942,046

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 7 - RECEIVABLES (continued)

	Amount
Business-Type Activities	
Sewer	
Ohio Public Works Commission	\$15,451
Storm Water	
Ohio Public Works Commission	15,451
Total Business-Type Activities	\$30,902

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies 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 50 percent 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 revenue is credited to the General Fund; the 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.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, 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.

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 and public utility property taxes which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 9 - PROPERTY TAXES (continued)

The full tax rate applied to real property for the year ended December 31, 2012, per taxing district, per \$1,000 of assessed valuation are as follows:

Marion City School District	\$5.15
Elgin Local School District	2.60
Pleasant Local School District	0.90
River Valley Local School District	3.80
Ridgedale Local School District	1.40

The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$272,472,140
Commercial/Industrial	76,317,330
Public Utility Real	170,200
Public Utility Personal	22,353,570
Total	\$371,313,240

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 agreement expires.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$8,703,039	\$0	\$0	\$8,703,039
Construction in Progress	767,550	1,958,024	(1,510,783)	1,214,791
Total Nondepreciable Capital Assets	9,470,589	1,958,024	(1,510,783)	9,917,830

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Governmental Activities (continued):				
Depreciable Capital Assets				
Land Improvements	\$1,909,764	\$306,650	\$0	\$2,216,414
Buildings and Building Improvements	25,084,761	664,440	0	25,749,201
Equipment	2,453,935	18,500	0	2,472,435
Vehicles	5,176,985	44,190	(355,103)	4,866,072
Streets	137,249,681	846,343	0	138,096,024
Total Depreciable Capital Assets	<u>171,875,126</u>	<u>1,880,123</u>	<u>(355,103)</u>	<u>173,400,146</u>
Less Accumulated Depreciation for				
Land Improvements	(177,150)	(92,238)	0	(269,388)
Buildings and Building Improvements	(4,903,630)	(376,669)	0	(5,280,299)
Equipment	(1,086,647)	(165,501)	0	(1,252,148)
Vehicles	(2,375,116)	(276,417)	295,369	(2,356,164)
Streets	(101,754,272)	(3,838,341)	0	(105,592,613)
Total Accumulated Depreciation	<u>(110,296,815)</u>	<u>(4,749,166)</u>	<u>295,369</u>	<u>(114,750,612)</u>
Total Depreciable Capital Assets, Net	<u>61,578,311</u>	<u>(2,869,043)</u>	<u>(59,734)</u>	<u>58,649,534</u>
Governmental Activities Capital Assets, Net	<u>\$71,048,900</u>	<u>(\$911,019)</u>	<u>(\$1,570,517)</u>	<u>\$68,567,364</u>

During 2012, governmental funds accepted contributions of capital assets from business-type activities, in the amount of \$87,642.

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$699,886	\$0	\$0	\$699,886
Construction in Progress	1,639,267	3,556,052	(3,999,426)	1,195,893
Total Nondepreciable Capital Assets	<u>2,339,153</u>	<u>3,556,052</u>	<u>(3,999,426)</u>	<u>1,895,779</u>
Depreciable Capital Assets				
Land Improvements	96,191	0	0	96,191
Buildings	24,076,756	3,412,269	0	27,489,025
Equipment	4,614,642	0	0	4,614,642
Vehicles	1,568,258	73,884	(148,103)	1,494,039
Sewer and Storm Water Lines	39,364,031	573,861	(8,192)	39,929,700
Total Depreciable Capital Assets	<u>69,719,878</u>	<u>4,060,014</u>	<u>(156,295)</u>	<u>73,623,597</u>

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Business-Type Activities (continued):				
Less Accumulated Depreciation for				
Land Improvements	(\$57,720)	(\$3,848)	\$0	(\$61,568)
Buildings	(9,820,687)	(1,579,155)	0	(11,399,842)
Equipment	(2,846,793)	(178,913)	0	(3,025,706)
Vehicles	(1,141,823)	(63,929)	148,103	(1,057,649)
Sewer and Storm Water Lines	(14,627,384)	(693,961)	8,192	(15,313,153)
Total Accumulated Depreciation	<u>(28,494,407)</u>	<u>(2,519,806)</u>	<u>156,295</u>	<u>(30,857,918)</u>
Total Depreciable Capital Assets, Net	<u>41,225,471</u>	<u>1,540,208</u>	<u>0</u>	<u>42,765,679</u>
Business-Type Activities Capital Assets, Net	<u><u>\$43,564,624</u></u>	<u><u>\$5,096,260</u></u>	<u><u>(\$3,999,426)</u></u>	<u><u>\$44,661,458</u></u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$123,495
Security of Persons and Property - Fire	83,025
Public Health	335
Leisure Time Activities	43,205
Transportation - Transit	61,872
Transportation - Other	4,067,789
General Government - Court	9,922
General Government - Other	359,523
Total Depreciation Expense - Governmental Activities	<u>\$4,749,166</u>

NOTE 12 - INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2012, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Other Governmental	\$420,460
Landfill	240,772
Total General Fund	<u>\$661,232</u>

Due to Street Construction, Maintenance, and Repair Fund from:

General	<u>\$1,117,914</u>
---------	--------------------

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 - INTERFUND RECEIVABLES/PAYABLES (continued)

Due to Other Governmental Funds from:	
General	\$284,389
Due to Sewer Fund from:	
General	\$448
Other Governmental	47
Landfill	349
Total Sewer Fund	\$844
Due to Internal Service Fund from:	
General	\$24,247
Street Construction, Maintenance, and Repair	22,148
Other Governmental	13,669
Sewer	789
Sanitation	21,773
Storm Water	329
Total Internal Service Fund	\$82,955

The balance due to the General Fund consists of loans made to provide working capital for operations or projects. All of this amount is expected to be received within one year.

The amount due to the Street Construction, Maintenance, and Repair Fund was for misallocated income tax revenue recorded to the General Fund. None of this amount is expected to be received within one year.

The amount due to the other governmental funds was for services provided and misallocated income tax revenue recorded to the General Fund; \$1,501 of 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 2012, the City had the following insurance coverage:

Type of Coverage	Coverage	Deductible
Property	\$51,194,094	\$1,000
General Liability		
Aggregate	5,000,000	5,000
Law Enforcement Liability	5,000,000	5,000
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 past three years, and there has not been any significant reduction in coverage from the prior year.

For 2012, 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 collects 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 was \$987,383, \$1,040,113, and \$987,965, respectively. For 2012, 85 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$26,217 made by the City and \$18,726 made by the plan members.

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial that includes financial information and required supplementary information for the plan. The report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2012, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$564,630 and \$574,932 for the year ended December 31, 2012, \$724,040 and \$654,610 for the year ended December 31, 2011, and \$789,864 and \$781,941 for the year ended December 31, 2010. For 2012, 70 percent has been contributed for both police and firefighters with the balance for both being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order 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 mandate, 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.

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

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 portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent in 2012. Effective January 1, 2013, the portion of the employer contribution allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or 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, 2012, 2011, and 2010 was \$251,980, \$263,055, and \$360,553, respectively. For 2012, 85 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

B. 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 health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, 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 publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, 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 is limited by the provisions of Sections 115 and 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.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$179,353 and \$191,644 for the year ended December 31, 2012, \$229,989 and \$207,935 for the year ended December 31, 2011, and \$250,898 and \$227,015 for the year ended December 31, 2010. For 2012, 70 percent has been contributed for both police and firefighters with the balance for both being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. 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 upon 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 contracts. 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.

B. Separation Benefits

The City offers a separation benefit to firefighters in the International Association of Firefighters Local 379 Union. The employee must be eligible to retire under the appropriate retirement system. Eligible employees receive one year of their base salary multiplied by their current rate of pay. Payment is made over a five-year period. As of December 31, 2012, the liability for separation benefits was \$299,533.

NOTE 17 - NOTES PAYABLE

The changes in the City's notes payable during 2012 were as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
<u>Governmental Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
2012 Various Purpose	2.00%	\$0	\$300,000	\$0	\$300,000
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
2011 Various Purpose	1.50%	\$9,400,000	\$0	\$9,400,000	\$0
2012 Various Purpose	2.00	0	1,030,000	0	1,030,000
Total Business-Type Activities		\$9,400,000	\$1,030,000	\$9,400,000	\$1,030,000

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

On July 21, 2011, the City issued \$9,400,000 in bond anticipation notes to retire notes previously issued and for additional construction; \$3,130,400 for sewer improvements, \$150,000 for landfill improvements, \$2,619,600 for storm water improvements, and \$3,500,000 for the construction of an Aquatics Center. The \$150,000 for the landfill was spent on items which were not capitalized.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 17 - NOTES PAYABLE (continued)

On September 12, 2012, the City issued \$1,330,000 in bond anticipation notes; \$300,000 for City Hall improvements, \$115,000 for sewer improvements, and \$915,000 for storm water improvements. The notes mature on September 12, 2013. At December 31, 2012, the City had \$1,030,000 in unspent proceeds.

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2012, was as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2010 Police and Fire Pension Refunding						
(Original Amount \$794,300)	2-4.3%	\$670,150	\$0	\$66,950	\$603,200	\$68,900
2010 Street Improvement						
(Original Amount \$1,598,850)	2-4.3	1,456,950	0	57,750	1,399,200	59,400
2010 Computer Equipment						
(Original Amount \$775,200)	2-4.3	706,400	0	28,000	678,400	28,800
2010 City Hall Roof						
(Original Amount \$110,000)	2-3.75	105,000	0	5,000	100,000	5,000
2010 Generator						
(Original Amount \$225,000)	2-3.75	215,000	0	10,000	205,000	10,000
2010 Fire Truck						
(Original Amount \$320,000)	2-3.75	290,000	0	30,000	260,000	30,000
2010 Police Records						
(Original Amount \$355,000)	2-3.75	325,000	0	35,000	290,000	35,000
2010 Central Garage						
(Original Amount \$1,376,250)	1.75-4	1,228,750	0	48,750	1,180,000	48,750
Total General Obligation Bonds		4,997,250	0	281,450	4,715,800	285,850
Other Long-Term Obligations						
ODOT DRIP TIF						
(Original Amount \$2,105,884)	0.00	607,478	0	78,619	528,859	81,195
OPWC Loan						
#CP10D Marion Williamsport Road Improvements						
(Original Amount \$128,202)	0.00	70,512	0	6,410	64,102	6,410
Capital Loans Payable		227,245	0	79,899	147,346	82,996
Compensated Absences Payable		4,045,043	626,182	478,744	4,192,481	441,585
Total Other Long-Term Obligations		4,950,278	626,182	643,672	4,932,788	612,186
Total Governmental Activities		\$9,947,528	\$626,182	\$925,122	\$9,648,588	\$898,036

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2010 Various Purpose A (Original Amount \$7,786,650)	2-4.3%	\$6,736,500	\$0	\$537,300	\$6,199,200	\$552,900
2010 Various Purpose B (Original Amount \$7,183,750)	1.75-4	6,626,250	0	266,250	6,360,000	271,250
2012 Various Purpose (Original Amount \$11,235,000)	2-4	0	11,235,000	0	11,235,000	20,000
Total General Obligation Bonds		<u>13,362,750</u>	<u>11,235,000</u>	<u>803,550</u>	<u>23,794,200</u>	<u>844,150</u>
Other Long-Term Obligations						
OWDA Loans						
#2335 Solids Handling (Original Amount \$2,290,314)	4.56	720,137	0	147,648	572,489	154,457
#2336 Landfill Closure (Original Amount \$2,720,754)	4.35	745,492	0	174,523	570,969	182,197
#3397 WRRSP (Original Amount \$5,366,955)	1.50	3,148,979	0	265,364	2,883,615	269,359
#3398 WWTP Upgrade (Original Amount \$20,784,201)	1.50	12,351,721	0	1,040,877	11,310,844	1,056,549
#5544 West Center Street (Original Amount \$202,050)	0.00	0	202,050	202,050	0	0
Total OWDA Loans		<u>16,966,329</u>	<u>202,050</u>	<u>1,830,462</u>	<u>15,337,917</u>	<u>1,662,562</u>
OPWC Loans						
#CP06G Mary St Sanitary Sewer/Storm Water Replacement (Original Amount \$29,232)	0.00	20,461	0	1,462	18,999	1,462
#CP10F Uncapher Ave/ Florence St Sanitary Sewer/ Storm Water Replacement (Original Amount \$268,990)	0.00	161,397	0	13,449	147,948	13,449
#CP16E Avondale Ave/ Catalina Dr Storm Water (Original Amount \$119,185)	0.00	62,571	0	5,960	56,611	5,960
#CP18A Industrial Depot Sanitary Sewer (Original Amount \$157,168)	0.00	31,433	0	10,478	20,955	10,478

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Business-Type Activities</u> (continued)						
OPWC Loans (continued)						
#CP33E Water Pollution Control Upgrade						
(Original Amount \$1,070,800)	0.00	\$669,250	\$0	\$53,540	\$615,710	\$53,540
#CP522 Airport Industrial Park Sanitary Sewer						
(Original Amount \$700,000)	0.00	105,000	0	35,000	70,000	35,000
#CP14L Franconia Avenue Sanitary Sewer and Storm Water Replacement						
(Original Amount \$107,827)	0.00	106,030	0	3,594	102,436	3,594
#CP05K Oakgrove and Waterloo Sanitary Sewer and Storm Water Replacement						
(Original Amount \$211,153)	0.00	205,874	0	10,558	195,316	10,558
#CP04M Woodrow and Henry Sanitary Sewer and Storm Water Replacement						
(Original Amount \$60,993)	0.00	60,993	0	2,034	58,959	2,034
Total OPWC Loans		1,423,009	0	136,075	1,286,934	136,075
Compensated Absences Payable		460,911	72,631	26,579	506,963	126,882
Postclosure Costs Payable		2,085,433	0	108,294	1,977,139	113,762
Total Other Long-Term Obligations		20,935,682	274,681	2,101,410	19,108,953	2,039,281
Total Business-Type Activities		\$34,298,432	\$11,509,681	\$2,904,960	\$42,903,153	\$2,883,431

General Obligation Bonds

On June 9, 2010, the City issued general obligation refunding bonds, in the amount of \$6,110,000, to refund general obligation bonds previously issued in 2000 to pay the long-term liability to the Police and Fire Pension System and to construct and replace sewer and storm water lines. The bonds were issued for a ten year period, with final maturity in 2020. The bonds will be retired through the Bond Retirement debt service fund and the Sewer and Storm Water enterprise funds.

On June 9, 2010, the City issued unvoted general obligation bonds, in the amount of \$4,845,000; \$708,483 to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive, \$485,655 for constructing public infrastructure improvements related to constructing and extending Lakes Boulevard, \$404,712 for improving Barks Road between Delaware Avenue and State Route 529, \$775,200 for acquiring and installing a comprehensive financial management software system, \$1,884,922 for sewer and storm water improvements on Blaine Avenue, and \$586,028 for sewer and storm water improvements on Forest Lawn Boulevard. The bonds were issued for a twenty year period with final maturity in 2030. The bonds will be paid from the Bond Retirement debt service fund and from the Sewer and Storm Water enterprise funds.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

As of December 31, 2012, all of the proceeds had been spent and \$356,160 was spent on items which were not capitalized.

The bonds maturing on December 1, 2022, 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>
2021	\$225,000

The remaining principal, in the amount of \$235,000, will be paid at stated maturity on December 1, 2022.

The bonds maturing on December 1, 2024, 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>
2023	\$240,000

The remaining principal, in the amount of \$250,000, will be paid at stated maturity on December 1, 2024.

The bonds maturing on December 1, 2026, 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>
2025	\$260,000

The remaining principal, in the amount of \$270,000, will be paid at stated maturity on December 1, 2026.

The bonds maturing on December 1, 2028, 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>
2027	\$285,000

The remaining principal, in the amount of \$295,000, will be paid at stated maturity on December 1, 2028.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2030, 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:

Year	Amount
2029	\$305,000

The remaining principal, in the amount of \$320,000, will be paid at stated maturity on December 1, 2030.

The bonds maturing on or after December 1, 2021, are subject to optional redemption prior to maturity, on December 1, 2020, 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 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

On September 30, 2010, the City issued unvoted general obligation bonds, in the amount of \$9,570,000; \$1,010,000 to retire notes previously issued for roof repair and to purchase various equipment and a vehicle, \$1,376,250 for constructing, equipping, and furnishing a central garage building, \$3,085,287 for sewer improvements, and \$4,098,463 for storm water improvements. The bonds were issued for a twenty year period with final maturity in 2030. 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 or after December 1, 2021, are subject to optional redemption prior to maturity, on December 1, 2020, 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 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

On July 11, 2012, the City issued unvoted general obligation bonds, in the amount of \$11,235,000; \$9,400,000 to retire notes previously issued for sewer, landfill, and storm water improvements and construction of an Aquatic Center, \$120,000 for sewer and storm water improvements on Columbia Street, \$320,000 for sewer and storm water improvements on Oak Street, Milburn Avenue, and Meadow Street, \$45,000 for storm water improvements on Robinson Avenue, \$115,000 for sewer improvements on West Center Street, \$20,000 for improving Marion Plaza and Royal Oaks Subdivision, \$20,000 for Landfill improvements, \$365,000 additional proceeds for constructing an Aquatic Center, \$280,000 for sewer and storm water improvements on Latourette Street, \$275,000 for sewer and storm water improvements on Greenwood Street, and \$275,000 for sewer and storm water improvements on Orchard Street. The bonds were issued for a twenty year period with final maturity in 2033. The bonds will be paid from the from the Sewer, Landfill, Storm Water, and Aquatic Center enterprise funds.

As of December 31, 2012, the City had unspent proceeds of \$2,954,107 and \$622,731 was spent on items not capitalized.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2030, 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>
2028	\$870,000
2029	905,000

The remaining principal, in the amount of \$945,000, will be paid at stated maturity on December 1, 2030.

The bonds maturing on December 1, 2033, 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>
2031	\$970,000
2032	1,105,000

The remaining principal, in the amount of \$1,055,000, will be paid at stated maturity on December 1, 2033.

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 twenty year period with final maturity in 2018. The loan will be paid from the Tax Incremental Financing capital projects fund.

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 Improvements capital projects fund.

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 and Marion Area Transit special revenue funds; the Sewer, Sanitation, Storm Water, and Aquatics Center enterprise funds; and the Central Garage internal service fund.

OWDA Loans

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 wastewater treatment plant improvements. OWDA loans will be paid from the Sewer, Storm Water, and Landfill enterprise funds.

OWDA monies spent on items which were not capitalized were \$2,883,615 in the Sewer enterprise fund and \$570,969 in the Landfill enterprise fund.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

OPWC Loans

OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for construction of sewer and storm water lines and related construction. OPWC loans will be paid from the Tax Incremental Financing capital projects fund and the 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 are \$15,337,917 and \$1,241,893, respectively, and total principal to be paid on the OPWC loans is \$1,286,934. Principal and interest paid in the Sewer enterprise fund for the current year was \$1,770,227 and \$258,804, \$174,523 and \$30,551 in the Landfill enterprise fund, and \$21,787 in the Storm Water enterprise fund. Total net revenues for the Sewer enterprise fund was \$3,208,775. For 2012, the Landfill and Storm Water enterprise funds had a net operating loss.

The City's legal debt margin was \$33,231,783 at December 31, 2012.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2012, were as follows:

Year	Governmental Activities			
	General Obligation Bonds		ODOT DRIP TIF	
	Principal	Interest	Principal	Interest
2013	\$285,850	\$158,293	\$81,195	\$15,031
2014	288,400	152,575	83,855	12,624
2015	294,700	146,410	86,602	10,082
2016	302,200	139,698	89,440	7,457
2017	310,950	132,065	92,370	4,745
2018-2022	1,373,450	514,434	95,397	1,945
2023-2027	1,085,700	295,976	0	0
2028-2030	774,550	65,329	0	0
	\$4,715,800	\$1,604,780	\$528,859	\$51,884

Year	OPWC		
	Loan	Capital Loans	
	Principal	Principal	Interest
2013	\$6,410	\$82,996	\$4,449
2014	6,410	64,350	1,233
2015	6,410	0	0
2016	6,411	0	0
2017	6,410	0	0
2018-2022	32,051	0	0
	\$64,102	\$147,346	\$5,682

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012, from the enterprise funds were as follows:

Year	Business-Type Activities				
	General Obligation Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2013	\$844,150	\$830,794	\$1,662,562	\$255,205	\$136,075
2014	856,600	813,311	1,697,660	220,107	136,074
2015	880,300	795,376	1,733,731	184,037	90,597
2016	907,800	774,862	1,474,122	149,160	90,597
2017	919,050	751,521	1,407,582	126,289	90,597
2018-2022	5,256,550	3,301,823	7,362,260	307,095	449,997
2023-2027	6,529,300	2,282,028	0	0	179,070
2028-2032	6,545,450	941,224	0	0	65,092
2033-2037	1,055,000	42,200	0	0	28,145
2038-2041	0	0	0	0	20,690
	\$23,794,200	\$10,533,139	\$15,337,917	\$1,241,893	\$1,286,934

NOTE 19 - LANDFILL POSTCLOSURE COSTS

State and federal laws and regulations require the City to 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 \$1,977,139 reported as landfill postclosure costs at December 31, 2012, 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, 2012, liability decreased from the prior year by \$108,294.

The City is required by state and federal laws and regulations to provide assurances 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 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - FUND BALANCE (continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Street Maintenance and Repair	Other Governmental Funds
Nonspendable for:			
Interfund Loans	\$0	\$1,117,914	\$282,888
Materials and Supplies Inventory	26,626	139,106	725
Prepaid Items	32,173	5,736	3,774
Total Nonspendable	<u>58,799</u>	<u>1,262,756</u>	<u>287,387</u>
Restricted for:			
Court Operations	0	0	521,387
Debt Retirement	0	0	1,158,900
Economic Development and Rehabilitation	0	0	839,445
Park Improvements	0	0	581
Permanent Improvements	0	0	48,448
Police and Fire Operations	0	0	58,717
Railroad Crossing Improvements	0	0	49,625
Senior Citizen Activities	0	0	136,246
Street Maintenance and Construction	0	256,708	73,837
Youth Activities	0	0	5,443
Total Restricted	<u>0</u>	<u>256,708</u>	<u>2,892,629</u>
Committed for:			
Termination Benefits	464	0	0
Assigned for:			
Airport Improvements	137,155	0	0
Parking Meter	2,356	0	0
Recreation	1,825	0	0
Safety Patrol	395	0	0
Softball Field Improvement	17,791	0	0
Underground Storage Tank	11,000	0	0
Total Assigned	<u>170,522</u>	<u>0</u>	<u>0</u>
Unassigned (Deficit)	<u>(791,952)</u>	<u>0</u>	<u>(1,075,648)</u>
Total Fund Balance (Deficit)	<u>(\$562,167)</u>	<u>\$1,519,464</u>	<u>\$2,104,368</u>

NOTE 21 - INTERFUND TRANSFERS

During 2012, the General Fund made transfers to the Street Construction, Maintenance, and Repair special revenue fund and other governmental funds, in the amount of \$725,980 and \$450,079, respectively, to subsidize operations in those funds.

Other governmental funds made transfers to the General Fund, in the amount of \$119,313, as authorized by the Municipal Court judge to pay for police related expenditures; to other governmental funds, in the amount of \$256,371, to subsidize activities in those funds; and to the Aquatics Center enterprise fund, in the amount of \$2,330,546, at the conclusion of the construction activities.

NOTE 22 - INSURANCE POOLS

A. 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.

B. 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 the 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 - JOINTLY GOVERNED ORGANIZATIONS

A. Marion County General Health District

The City participates in the Marion County General Health District, a jointly governed organization created according to the provisions of Ohio Revised Code Section 3709.07. The General Health District is governed by a Board of Health consisting of three members representing the City of Marion and appointed by the Mayor, three members representing Marion County and appointed by the District Advisory Council, and one member appointed by the Health District Licensing Council. During 2012, the City contributed \$150,000 toward the operations of the General Health District. Financial information can be obtained from the Marion County Auditor, 222 West Center Street, Marion, Ohio 43302.

B. Marion Port Authority

The Marion Port Authority is a jointly governed organization between Marion County and the City of Marion. The Port Authority may acquire, purchase, construct, reconstruct, enlarge, furnish, equip, maintain, repair, sell, exchange, lease or rent to or from, operate, manage, or contract for the operation of management of the port authority facilities as defined in the Ohio Revised Code. The Port Authority is governed by a five member board of directors consisting of two members appointed by the Marion County Commissioners, two members appointed by the City of Marion, and one joint appointee. Each participant's ability to influence the operations of the Port Authority is limited to its representation of the board. Financial information can be obtained from the Marion Port Authority, 205 West Center Street, Marion, Ohio 43302.

NOTE 24 - CONTINGENT LIABILITIES

A. 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.

B. Federal and State Grants

For the period January 1, 2012, to December 31, 2012, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 25 - MANAGEMENT PLAN

The City of Marion has experienced financial difficulties. The decrease in the City's income tax, additional State Funding cuts, and the continued regional recession have all been contributing factors. The City started to decrease in unemployment which in turn is stabilizing income. With the implementation of a .25 percent income tax increase, reduction of the tax credit, and the passage of universal filings, the 2013 projected revenues have gone from 15.7 mills to 17 mills. Eight police officers have been recalled and six firefighter positions have been filled. The City will continue to restore safety forces as resources from the .25 percent tax increase become available. In 2014, the police, fire, and dispatching services will be provided for through restricted City proceeds. Any shortfall in these resources will come from General Fund transfers. The City is proceeding with caution and restoring services to the community to the extent that revenues are available. The main concern at this time is any effects that House Bill 5 could have on income taxes.

NOTE 26 - SUBSEQUENT EVENT

On November 2, 2012, the voters approved an additional .25 percent income tax levy for general operations on all income earned within the City as well as on income of residents earned outside the City. Collections began on January 1, 2013.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF MARION
MARION COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant - State's Program '10 Formula	A-F-10-2C1-1	14.228	\$ 440,538
Community Development Block Grant - State's Program '11 Formula	A-F-11-2C1-1	14.228	126,069
Community Development Block Grant- State's Program '08 (CHIP)	A-C-08-142-1	14.228	2,545
Community Development Block Grant- State's Program '10 (CHIP)	A-C-10-142-1	14.228	114,905
Community Development Block Grant- State's Program '08 (Neighborhood Stabilization Program Grants)	A-Z-08-142-1	14.228	85,479
Total Community Development Block Grant State's Program			<u>769,536</u>
HOME Investment Partnership Program	A-C-08-142-2	14.239	2,500
HOME Investment Partnership Program	A-C-10-142-2	14.239	286,066
Total HOME Investment Partnership Program			<u>288,566</u>
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>1,058,102</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct:</i>			
Public Safety Partnership and Community Policing Grants	2010-UM-WX-0246	16.710	212,724
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant - School Resource Officer Grant	2010-JG-B01-6412	16.738	33,142
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>245,866</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct:</i>			
Airport Improvement Program	AIP-3-39-0050-1909	20.106	317,167
			<u>317,167</u>
<i>Passed Through Ohio Department of Transportation</i>			
Rural Transit Grant Program Operating Projects	RPT-4051-030-111	20.509	41,636
Rural Transit Grant Program Operating Projects	RPT-0051-032-121	20.509	305,160
Rural Transit Grant Inter-City Projects	RPT-4051-031-123	20.509	4,398
Rural Transit Grant Program Capital Projects	RPT-0051-031-112	20.509	69,596
Rural Transit Grant Program Capital Projects	RPT-0051-032-122	20.509	39,173
ARRA-Rural Transit Grant Program Capital	RPTS-0051-001-093	20.509	56,537
ARRA-Rural Transit Grant Program Capital	RPTS-0051-002-094	20.509	590,341
Total Rural Transit Grant Program			<u>1,106,841</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,424,008</u>
U.S. DEPARTMENT OF ENERGY			
<i>Direct:</i>			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	DE-EE0002208	81.128	1,007
TOTAL U.S. DEPARTMENT OF ENERGY			<u>1,007</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Aging:</i>			
Special Programs for the Aging-Title III, Part B Grants for Supportive Services and Senior Centers	N/A	93.044	48,426
Special Programs for the Aging-Title III, Part E Grants for Supportive Services and Senior Centers	N/A	93.044	3,500
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>51,926</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct:</i>			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	EMW-2011-FH-00918	97.044	59,017
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>59,017</u>
Total Federal Awards Expenditures			<u>\$ 2,839,926</u>

The accompanying notes are an integral part of this schedule.

**CITY OF MARION
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS

Cash receipts from the Ohio Department of Transportation are commingled with State grants and other local monies. It is assumed federal monies are expended first.

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Development Services Agency. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$1,077,670
Loans made	0
Loan principal repaid	35,659
Ending loans receivable balance as of December 31, 2012	<u>\$1,042,011</u>
Cash balance on hand in the revolving loan fund as of December 31, 2012	\$76,452
Administrative costs expended during 2012	25,859

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2012, no amounts are past due and the City estimates 100% to be collectible.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. For the year ended December 31, 2012 the City did not meet its matching requirements for the Airport Improvement federal program. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

City of Marion
Marion County
233 West Center Street
Marion, Ohio 43302

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, Marion County, Ohio (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 6, 2013. We qualified our opinion on the City's Aquatic Center Opinion Unit because we were unable to obtain sufficient appropriate audit evidence supporting the completeness of the amounts reported as Aquatic Center Fund charges for service revenues.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-005 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2012-001 through 2012-006.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 6, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Marion
Marion County
233 West Center Street
Marion, Ohio 43302

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Marion's, Marion County, Ohio (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on ARRA/Formula Grants for Other Than Urbanized Areas, and Community Development Block Grant Major Federal Programs

As described in Findings 2012-007 through 2012-010 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-007	20.509	ARRA/Formula Grants for Other Than Urbanized Areas	Reporting
2012-008	20.509	ARRA/Formula Grants for Other Than Urbanized Areas	Allowable Costs
2012-009	14.228	Community Development Block Grant	Reporting
2012-010	14.228	Community Development Block Grant	Cash Management

Compliance with these requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

Qualified Opinion on ARRA/Formula Grants for Other Than Urbanized Areas, and Community Development Block Grant Major Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on ARRA/Formula Grants for Other Than Urbanized Areas, and Community Development Block Grant Major Federal Programs* paragraph, the City complied, in all material respects, with the requirements referred to above that could directly and materially affect its ARRA/Formula Grants for Other Than Urbanized Areas, and Community Development Block Grant Major Federal Programs for the year ended December 31, 2012.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the City of Marion, Marion County, Ohio complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as items 2012-011 and 2012-012. These findings did not require us to modify our compliance opinion on the major federal program.

The City's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, and a deficiency we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-007 through 2012-012 to be material weaknesses.

The City's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 6, 2013

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF MARION
MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – ARRA/Formula Grants for Other Than Urbanized Areas – CFDA #20.509 Qualified – Community Development Block Grant – States Program – CFDA #14.228 Unmodified – Airport Improvement Program – CFDA #20.106
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA/Formula Grants for Other Than Urbanized Areas CFDA #20.509 Community Development Block Grant – States Program CFDA #14.228 Airport Improvement Program CFDA #20.106
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-001

Deposits & Investments – Material Non-Compliance

In general, Ohio Rev. Code Sections 135.14(B)(3), 135.08, and 135.09 require interim deposits to be awarded to eligible institutions who properly apply with the legislative authority. Ohio Rev. Code Section 135.03 states in part that any national bank located in this state and any bank as defined in Ohio Rev. Code Section 1101.01, subject to inspection by the superintendent of financial institutions, is eligible to become a public depository, subject to sections 135.01 to 135.21 of the Ohio Rev. Code.

Ohio Rev. Code Section 135.12 (B) and (C) requires City Council to meet every five years for the purpose of designating the public depositories for the period of five years; if City Council determines, during a designation period, that a public depository designated under this section is insolvent or operating in an unsound or unsafe manner, the governing board may meet and designate a different public depository of the public moneys of the state or of the subdivision for the remainder of the designation period.

Ohio Rev. Code Section 135.14 (J) states if any investments or deposits purchased under the authority of this section are issuable to a designated payee or to the order of a designated payee, the name of the treasurer and the title of the treasurer's office shall be so designated. The Treasurer, per Ohio Rev. Code Section 135.14 (K), is responsible for the safekeeping of all documents evidencing a deposit or investment acquired by his office under this section.

We noted the following regarding the City's deposit and investment activity:

- While all of the City's deposits and investments were held in the City's name as of December 31, 2012 we noted that only two of those deposits or investments were specifically held in the City Treasurer's name.

- The City's depository agreement with the Ohio State Bank expired on September 13, 2011. The Ohio State Bank has entered into a written consent agreement with the Federal Deposit Insurance Corporation (FDIC) and the State of Ohio Division of Financial Institutions, prohibiting the Ohio State Bank from accepting new deposits or renewing a certificate of deposit from any public fund entity. The City has maintained deposits with this bank without an active depository agreement since its expiration in September 2011. However all deposits were fully insured or collateralized.

We recommend investments be made in the name of the City Treasurer, and that deposits be made only with designated depositories with approved depository agreements.

FINDING NUMBER 2012-002

Appropriations – Material Non-Compliance

Ohio Rev. Code 5705.36 (A) (4) requires obtaining a reduced amended certificate of estimated resources if the amount of a revenue deficiency will reduce available resources below the current level of appropriations. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-002 (Continued)

Appropriations – Material Non-Compliance (Continued)

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total of the estimated amount available for expenditure, as certified by the budget commission.

Contrary to Ohio Rev. Code 5705.36 (A)(4), at December 31, 2012 the Landfill Fund had appropriations of \$553,114, which exceeded the fund's estimated resources of \$421,959 by \$131,155, and actual resources of \$183,425 by \$369,689.

We recommend the City closely monitor its appropriations with respect to its actual and available resources to ensure compliance. We also recommend that when it becomes evident that ending appropriations will exceed ending estimated and actual resources the City should obtain a reduced amended certificate of estimated resources and reduce appropriations to a level below anticipated estimated and actual resources.

FINDING NUMBER 2012-003

Budgetary Expenditures Exceed Appropriations – Material Non-Compliance

Ohio Rev. Code Section 5705.41 (B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level at which appropriations are approved by the City Council; for the City the legal level of control is the object level.

We noted the following significant instances where budgetary expenditures (cash disbursements plus outstanding encumbrances) exceeded appropriations at the legal level of control (object level):

Fund	Function	Object	Appropriations	Budgetary Expenditures	Excess
	Security of Persons				
General Fund	& Property	Police	\$ 5,362,344	\$ 5,400,915	\$ (38,571)
Sewer Fund	Debt Service	Interest	654,088	700,783	(46,695)
Stormwater Fund	Debt Service	Interest	446,762	485,838	(39,076)
Aquatic Center Fund	Debt Service	Interest	219,575	271,783	(52,208)

We recommend the City monitor budgetary expenditures and appropriations at the legal level of budgetary control.

In order to limit expenditures within appropriated amounts, City Council may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another. We also recommend the City Auditor not pay expenditures that exceed appropriations unless the appropriations are properly amended.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-004

Negative Fund Balance – Material Non-Compliance

Ohio Rev. Code Section 5705.10(D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund was established.

The Landfill Fund had a deficit fund balance of (\$240,772) at December 31, 2012. The existence of a deficit fund balance is a possible indication that monies from one fund were used to pay the obligations of another fund.

Although a deficit fund balance could be attributable to cash flows, we recommend that monies be expended from funds only for the purposes for which funds were established and that those charged with governance and management monitor fund balances to ensure deficits are avoided. One possible alternative to avoiding negative fund balances is short-term advances from the General Fund.

FINDING NUMBER 2012-005

**Completeness of Receipts – Aquatics Center
Material Weakness/Material Non-Compliance**

Ohio Admin. Code Section 117-2-02 states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03. It also states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

The City completed construction and opened and operated an aquatic center during 2012. The system of internal controls implemented did not allow management to ensure the completeness of revenues to be reported in the financial statements. Management did not maintain sufficient support for sales of memberships, daily admissions or concessions; specifically we noted:

- A complete set of duplicate receipts (or other applicable supporting documentation) was not maintained, and therefore, total receipts could not be recalculated or reasonably estimated.
- The City did not maintain duplicate receipts or other consistent documentation for the daily admissions at the Aquatics Center.
- The City receives a settlement for credit card transactions; included is a report that provides amounts for gross receipts, merchant fees, and net receipts; the City posted the credit card receipts at net.
- Receipts were frequently posted to the accounting system by aggregating several amounts from several different purposes and posting them using one receipt number; this inhibits management and others to fulfill their monitoring responsibilities and correct errors or address other problems as they occur.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-005 (Continued)

**Completeness of Receipts – Aquatics Center (Continued)
Material Weakness/Material Non-Compliance (Continued)**

Without the documentation described above we attempted alternate audit procedures but were unable to obtain sufficient appropriate audit evidence supporting the completeness of the amounts reported as Aquatic Center revenues. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We recommend the City implement a system of internal controls and maintain the necessary accounting records that will allow management and others to fulfill their monitoring duties and will ensure the completeness of receipts recorded in the accounting system and reported on the financial statements

FINDING NUMBER 2012-006

Timely Deposits – Material Non-Compliance

Ohio Rev. Code Section 9.38 states that a public official shall deposit all public monies received with the properly designated depository on the business day following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars.

If the total amount of monies received does not exceed one thousand dollars, the individual shall deposit the monies on the business day following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days after the day of receipt, for making such deposits, and the individual is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

We noted 40 of 58 aquatic center receipts we examined were not deposited timely as described above; we also noted one sewer receipt that was not deposited timely.

Timely deposits reduce the risk of receipts being lost or misappropriated and going undetected by management.

We recommend that management ensure all receipts are deposited with the financial institution on a timely basis.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

**Reporting – Rural Transit Program
Material Non-Compliance/Material Weakness**

Finding Number	2012-007
CFDA Title and Number	20.509 – Formula Grants for Other Than Urbanized Areas
Federal Award Number / Year	RPT-4051-030-111 RPT-0051-032-121 RPT-4051-031-123 RPT-0051-031-112 RPT-0051-032-122 RPTS-0051-001-0093 RPTS-0051-002-094
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

The City receives funding from the Ohio Department of Transportation (ODOT) under the Rural Transit Program. ODOT asks its grantees to submit quarterly reconciliation invoices, following the guidance in the National Transit Database Manual published by the National Transit Administration (http://www.ntdprogram.gov/ntdprogram/pubs/RuralRM/2010/pdf/2010_Rural_Reporting_Manual.pdf). The City is required to contribute local funds to match the amount of federal and state funding. Once completed, each quarterly reconciliation invoice provides the amount required for the local match.

Fare box revenue is not an allowable source of local matching; local matching amounts must be provided from other sources.

With regard to financial reporting, page 30 of the above Manual explains financial reporting must be on the accrual basis, which provides a more accurate representation of revenues and expenditures than the cash basis; the accrual basis recognizes revenues when earned (rather than received) and expenditures when incurred (rather than when actually paid in cash). ODOT provides a quarterly invoice reconciliation report template that grantees use to report quarterly accrual basis financial information; this spreadsheet also calculates the local matching requirement.

To facilitate meeting this compliance requirement the City implemented QuickBooks software and runs the software parallel to the City's normal accounting system; the intent was that this would allow management to efficiently generate accrual basis financial amounts for submission of the quarterly invoice reconciliation reports to ODOT.

However, during 2012 the City prepared its quarterly invoice reconciliation reports using cash basis financial information. The effect of this was that the City reported an estimated \$54,050 less of expenditures than what was actually incurred on the accrual basis and transferred \$77,108 more from the General Fund than what would have otherwise been required to meet its local matching obligation under the grant agreement.

We recommend the City utilize the quarterly financial invoice reconciliation spreadsheet provided by ODOT which reports financial data on the accrual basis of accounting; using this spreadsheet will allow the City to ensure compliance with reporting and matching requirements.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

**Allowable Costs/Cost Principles – Rural Transit Program
Material Non-Compliance/Questioned Costs/Material Weakness**

Finding Number	2012-008
CFDA Title and Number	20.509 – Formula Grants for Other Than Urbanized Areas
Federal Award Number / Year	RPT-4051-030-111 RPT-0051-032-121 RPT-4051-031-123 RPT-0051-031-112 RPT-0051-032-122 RPTS-0051-001-0093 RPTS-0051-002-094
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

2 C.F.R. Part 225, Appendix A Section C3 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Further, 2 C.F.R. Part 225, Appendix A Section C1 lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must be adequately documented and meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of 2 C.F.R. Part 225.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in 2 C.F.R. Part 225, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

The City charged \$1,500 per month to the grant for storage of buses, which is not an allowable activity to be charged to the Rural Transit federal program.

Therefore \$18,000 of the City's Rural Transit Program grant expenditures of \$1,106,841 are questioned.

We recommend the City ensure that activities charged to the Rural Transit federal program are allowable, as indicated by 2 C.F.R. Part 225, Appendix A Section C1.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

**Reporting – Community Development Block Grant
Material Non-Compliance/Material Weakness**

Finding Number	2012-009
CFDA Title and Number	14.228 – Community Development Block Grant
Federal Award Number / Year	A-F-10-2C1-1/2010 A-F-11-2C1-1/2011 A-C-08-142-1/2008 A-C-10-142-1/2010 A-Z-08-142-1/2008
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Development Services Agency

24 C.F.R. 85.20 (c) (1) (2) states that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant and that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorization, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

In, 2012 the City received and expended Small Cities Community Development Block Grant (CDBG) Program monies through a grant from the Ohio Development Services Agency. The CDBG grants are administered by the Marion County Regional Planning Commission (MCRPC) and the City Auditor is responsible for accounting for the fiscal activity for the grant.

The City does not maintain separate accountability, such as separate funds or cost centers for each of its CDBG grants, necessary to facilitate compliance with the above requirement. The City has accounted for six separate CDBG grants within four funds, which does not facilitate effective monitoring and reporting of each grant.

Without separate accountability for each grant the City is unable to perform accurate and timely reconciliations for each grant award and perform accurate reporting to its grantor, the Ohio Development Services Agency's Office of Housing and Community Partnerships (OHCP). Failure to establish separate accountability and perform timely reconciliations has led to the following conditions:

- Nine adjustments ranging from \$302 to \$13,188 to correct errors in reporting of grant expenditures among the grant funds.
- The City is required to submit periodic status reports to the Ohio Development Services Agency to provide a snapshot of each grant's progress; we noted variances on all status reports submitted during 2012, ranging in amounts between \$60 and \$69,867.

Failure to establish separate accountability, perform timely reconciliations, and accurately report grant activity could also jeopardize future CDBG grant funding for the City or result in questioned costs. We recommend the City segregate the financial activity of each of the CDBG grants by establishing separate funds or cost centers for each individual grant.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

**Cash Management – Community Development Block Grant
Material Non-Compliance/Material Weakness**

Finding Number	2012-010
CFDA Title and Number	14.228 – Community Development Block Grant
Federal Award Number / Year	A-F-10-2C1-1/2010 A-F-11-2C1-1/2011 A-C-08-142-1/2008 A-C-10-142-1/2010 A-Z-08-142-1/2008
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Development Services Agency

24 C.F.R. 85.21 (c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

The Ohio Office of Housing and Community Partnership's Financial Management Rules and Regulations, Section (A)(3)(f), states in part the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. The rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of funds.

The City was the recipient of the Community Development Block (CDBG) Grant, obtained through the Ohio Development Services Agency's Office of Housing and Community Partnerships (OHCP). We noted the following instances in which the amounts drawn down were not reduced to less than \$5,000 within fifteen days of receipt of funds:

<u>Award #</u>	<u>Drawdown Date</u>	<u>Amount</u>	<u>Balance on Hand After 15 Days</u>	<u># Days Until Balance Reduced to Less Than \$5,000</u>
A-F-10-2C1-1	3/28/12	\$ 10,000	\$ 6,796	25
A-F-10-2C1-1	5/4/12	17,000	9,232	97
A-F-10-2C1-1	7/27/12	141,800	52,199	143
A-C-10-2C1-2	5/4/12	27,500	29,134	33
A-C-10-2C1-2	6/13/12	52,000	39,384	76
A-C-10-2C1-2	11/2/12	67,500	18,467	32
A-C-10-2C1-1	11/2/12	98,178	41,509	45
A-Z-08-2C1-1	6/9/12	44,545	45,897	195
A-Z-08-2C1-1	10/6/12	13,267	29,587	76
A-F-11-2C1-1	2/7/12	7,000	7,000	30
A-F-11-2C1-1	6/15/12	19,258	20,883	129
A-F-11-2C1-1	9/5/12	17,642	25,527	47
A-F-11-2C1-1	9/27/12	96,100	121,627	95

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

**Cash Management – Community Development Block Grant (Continued)
Material Non-Compliance/Material Weakness**

Finding Number	2012-010
CFDA Title and Number	14.228 – Community Development Block Grant
Federal Award Number / Year	A-F-10-2C1-1/2010 A-F-11-2C1-1/2011 A-C-08-142-1/2008 A-C-10-142-1/2010 A-Z-08-142-1/2008
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Development Services Agency

In addition, Section (A)(3)(l) of the OHCP Management Rules and Regulations states in part the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest earning account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than \$100 per year.

The City deposited each grant receipt into an interest-bearing account. Although certain grant receipts were held for a significant period of time, the City did not perform any calculation of interest earned by the grant money, nor remit any interest earnings to the OHCP. We impute the estimated interest earning on the excess cash balances above is \$787 based on the 1.00% average 2012 U.S. Treasury Current Value of Funds Rate.

We recommend the City implement cash management procedures to disburse CDBG grant funds on hand to a balance of less \$5,000 within fifteen days of receipt, and to identify interest earnings on grant monies and remit those earnings to OHCP as required. We also recommend the City determine the interest earned by these grant monies held and consult with OHCP regarding whether such interest earnings should now be remitted. To help alleviate difficulties in complying with cash management regulations, the City may consider general fund advances to the grant fund to make program disbursements and subsequently seek reimbursement from the grantor.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

**Cash Management – Airport Improvement Grant
Material Non-Compliance/Material Weakness**

Finding Number	2012-011
CFDA Title and Number	20.106 – Airport Improvement Grant
Federal Award Number / Year	AIP-3-39-0050-1909/2012
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	N/A

24 C.F.R. 85.21 (c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

In addition, 24 C.F.R. 85.21 states in part the grantee should deposit federal funds received in a non-interest bearing account. If the grantee deposits funds in an interest earning account, the grantee must remit to FAA, on at least a quarterly basis, any interest earned that totals more than \$100 per year.

We noted the following instances in which drawdowns were not timely expended:

Drawdown Date	Amount	# Days Until Drawdown Fully Expended
7/30/12	\$ 55,868	136
9/12/12	17,000	92

The City deposited grant receipts into an interest-bearing account. Although the grant receipts were held for a significant period of time, the City did not perform any calculation of interest earned by the grant money, nor remit any interest earnings to the FAA. We impute the estimated interest earning on the excess cash balances above is \$320 based on the 1.00% average 2012 U.S. Treasury Current Value of Funds Rate.

We recommend the City implement cash management procedures to disburse grant drawdowns within thirty days of receipt. We also recommend the City consult with the grantor and determine if any interest earned by these grant monies should now be remitted. To help alleviate difficulties in complying with cash management regulations, the City may consider general fund advances to the grant fund to make timely program disbursements and then subsequently seek reimbursement from the grantor.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

**Matching – Airport Improvement Grant
Material Non-Compliance/Questioned Costs/Material Weakness**

Finding Number	2012-012
CFDA Title and Number	20.106 – Airport Improvement Grant
Federal Award Number / Year	AIP-3-39-0050-1909/2012
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	N/A

49 C.F.R. 18.24 required the City to provide matching funds of 5% of the allowable costs incurred in accomplishing the "Construct Taxiways (T-Hangar)" project.

We noted the City made no match of non-federal funds towards the project. Actual federal project expenditures were \$317,167, and therefore the City was required to provide non-federal matching funds of \$15,858.

Therefore, program expenditures of \$15,858 are questioned.

We recommend the City implement internal controls to ensure its local matching obligations for such federal awards are met.

**CITY OF MARION
MARION COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	Ohio State Bank is the City's best return on investment. They cannot currently enter a new depository agreement but the City's deposits are within prescribed amounts, covered through FDIC insurance. The City Treasurer monitors this monthly to make sure the invested amount does not exceed the coverage.	This will not change.	Tom Pannett, City Treasurer
2012-002	Meetings have taken place with the Administration to correct this issue.	5/1/2013	Jay Shoup/Service Director
2012-003	This will be corrected for 2013.	Still Under Review	Kelly Carr, City Auditor
2012-004	Meetings have taken place with the Administration to correct this issue.	4/30/2013	Jay Shoup/ Service Director Kelly Carr, City Auditor
2012-005	A meeting has been held with the Aquatics Director and the City Auditor has been assured that hand written receipts are no longer being used. The point of sale system was not in use when the aquatics center first opened up; this software is now in place and should help with the ability to audit transactions in the future.	7/1/2012	Jeanie Brewer, Director, Aquatics Center
2012-006	A meeting has been held with the Aquatics Director and the City Auditor has been assured that hand written receipts are no longer being used. She has also been reminded that all receipt of money must be turned in daily to ensure a timely deposit.	9/1/2013	Jeanie Brewer, Director, Aquatics Center
2012-007	The Administration and Transit department are working with a consultant firm to make corrections.	Should be corrected in 2013	Jeff Marsh, Transit Director

**CITY OF MARION
MARION COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2012
(Continued)**

2012-008	The Administration and Transit department are working with a consultant firm to make corrections.	Still under Review	Jeff Marsh, Transit Director
2012-009	Adjusting year end entries were performed in review with the overseeing department. These adjustments were reversed in consultation with the department during the audit period. The City will work with the Department on correcting any future need for adjusting entries.	Still Under Review	Kelly Carr, City Auditor, and Marion Regional Planning Commission
2012-010	The City Auditor will continue to work with Regional Planning on this issue.	Still Under Review	Kelly Carr, City Auditor, and Marion Regional Planning Commission
2012-011	The City Auditor will be meeting with the airport director and grant manager concerning this issue.	2013	Audrey Wagner, Airport Director
2012-012	The City has always paid their match. An advance was provided to this fund in 2007 and not repaid. That money has been carried forward for the match amount. We will determine what the balance of that advance is and return it to general fund. A transfer out will be budgeted out of general fund for the future matching.	2013	Audrey Wagner, Airport Director

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Investments – Ohio Rev. Code 135 – City invested interim deposits in certificates of deposit with maturities beyond one year; investments were not held in City Treasurer’s name.	No	Re-Issued as Finding #2012-001
2011-002	Appropriations – Ohio Rev. Code 5705.36(A)(4) and 5705.39 – appropriations exceeded estimated resources and actual resources.	No	Re-Issued as Finding #2012-002
2011-003	Budgetary Expenditures Exceed Appropriations & Posting to the Accounting System – Ohio Rev. Code 5705.41(B) and 5705.42.	No	Re-Issued as Finding #2012-003
2011-004	Negative Fund Balances – Ohio Rev. Code 5705.10(D) – City had nine funds with negative fund balances.	No	Re-Issued as Finding #2012-004
2011-005	Filing of Single Audit – Audit was filed with Single Audit Clearinghouse Beyond Deadline	Yes	Finding No Longer Valid
2011-006	Fair Box Revenue Controls – Transit Department	Yes	Finding No Longer Valid
2011-007	Reporting/Matching – Transit Grant	No	Re-Issued as Finding #2012-007
2011-008	Allowable Costs/Questioned Costs – Transit Grant	No	Re-Issued as Finding #2012-008
2011-009	Earmarking – Transit Grants	Yes	Finding No Longer Valid
2011-010	Reporting – Community Development Block Grants	No	Re-Issued as Finding #2012-009
2011-011	Cash Management – Community Development Block Grants	No	Re-Issued as Finding #2012-010

This page intentionally left blank.



Dave Yost • 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
OCTOBER 15, 2013**