



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the City of Marysville, Union County, Ohio, (the City) as of and for the year ended December 31, 1999. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as described in Note 1, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the City of Marysville, Union County, Ohio, as of December 31, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management and City Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 9, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

						(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total
Cash Receipts:						
Local Taxes	\$5,327,287	\$0	\$0	\$0	\$135,224	\$5,462,511
Intergovernmental	1,127,965	495,531	0	80,000	12,252	1,715,748
Special Assessments	0	0	23,331	0	0	23,331
Charges for Services	61,921	283,562	0	0	0	345,483
Fines, Licenses, and Permits	563,876	179,004	0	0	0	742,880
Miscellaneous	417,459	1,258	470	93,019	30,000	542,206
Total Cash Receipts	7,498,508	959,355	23,801	173,019	177,476	8,832,159
Cash Disbursements:						
Current:						
Security of Persons and Property	1,919,008	1,618,219	0	0	142,978	3,680,205
Public Health Services	412,363	0	0	0	0	412,363
Leisure Time Activities	53,468	0	0	0	0	53,468
Community Environment	27,690	0	0	0	0	27,690
Transportation	5,881	568,460	0	0	0	574,341
General Government	1,244,348	160,580	0	0	0	1,404,928
Debt Service:						
Redemption of Principal	0	675,000	7,522,500	0	0	8,197,500
Interest	0	20,823	249,688	0	0	270,511
Other Debt Service	0	0	0	5,120	0	5,120
Capital Outlay	484,721	148,827	0	3,610,524	0	4,244,072
Total Cash Disbursements	4,147,479	3,191,909	7,772,188	3,615,644	142,978	18,870,198
Total Cash Receipts Over/(Under) Cash Disbursements	3,351,029	(2,232,554)	(7,748,387)	(3,442,625)	34,498	(10,038,039)
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt						
Sale of Notes	160,000	635,000	6,390,000	1,100,000	0	8,285,000
Transfers-in	0	1,738,039	1,255,013	0	0	2,993,052
Transfers-out	(2,720,161)	0	0	(275,000)	0	(2,995,161)
Total Other Financing Receipts/(Disbursements)	(2,560,161)	2,373,039	7,645,013	825,000	0	8,282,891
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements						
	790,868	140,485	(103,374)	(2,617,625)	34,498	(1,755,148)
Fund Cash Balances, January 1, 1999	1,198,706	469,974	25,625	5,112,941	4,589	6,811,835
Fund Cash Balances, December 31, 1999	<u>\$1,989,574</u>	<u>\$610,459</u>	<u>(\$77,749)</u>	<u>\$2,495,316</u>	<u>\$39,087</u>	<u>\$5,056,687</u>
Reserve for encumbrances, December 31, 1999	<u>\$152,777</u>	<u>\$76,093</u>	<u>\$0</u>	<u>\$1,988,520</u>	<u>\$0</u>	<u>\$2,217,390</u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - ALL PROPRIETARY AND OTHER FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>(Memorandum Only) Total</u>
Operating Cash Receipts:					
Charges for Services	\$5,632,314	\$816,096	\$0	\$0	\$6,448,410
Miscellaneous	662,890	0	0	0	662,890
Total Operating Cash Receipts	6,295,204	816,096	0	0	7,111,300
Operating Cash Disbursements:					
Personal Services	1,549,366	629,000	0	0	2,178,366
Travel Transportation	8,103	19,045	0	0	27,148
Contractual Services	1,519,918	114,215	0	0	1,634,133
Supplies and Materials	522,310	38,837	120	0	561,267
Capital Outlay	4,232,939	97,278	0	0	4,330,217
Total Operating Cash Disbursements	7,832,636	898,375	120	0	8,731,131
Operating Income/(Loss)	(1,537,432)	(82,279)	(120)	0	(1,619,831)
Non-Operating Cash Receipts:					
Earnings on Investment	196,432	0	503	0	196,935
Intergovernmental Revenues	12,670	0	0	0	12,670
Proceeds from Sale of Public Debt:					
Sale of Notes	10,487,961	130,000	0	0	10,617,961
Other Non-Operating Revenues	0	0	0	46,279	46,279
Total Non-Operating Cash Receipts	10,697,063	130,000	503	46,279	10,873,845
Non-Operating Cash Disbursements:					
Debt Service	10,787,061	0	0	0	10,787,061
Other Non-Operating Cash Disbursements	7,623	0	0	42,643	50,266
Total Non-Operating Cash Disbursements	10,794,684	0	0	42,643	10,837,327
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(1,635,053)	47,721	383	3,636	(1,583,313)
Transfers-in	0	0	2,109	0	2,109
Net Receipts Over/(Under) Disbursements	(1,635,053)	47,721	2,492	3,636	(1,581,204)
Fund Cash Balances, January 1, 1999	5,202,907	24,314	40,520	0	5,267,741
Fund Cash Balances, December 31, 1999	<u>\$3,567,854</u>	<u>\$72,035</u>	<u>\$43,012</u>	<u>\$3,636</u>	<u>\$3,686,537</u>
Reserve for Encumbrances, December 31, 1999	<u>\$2,844,802</u>	<u>\$156,318</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,001,120</u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Type/Fund</u>	<u>Estimated Receipts from Amended Certificate of Estimated Resources</u>	<u>Actual Receipts</u>	<u>Variance Positive (Negative)</u>
Governmental Funds:			
General Fund	\$6,900,513	\$7,658,508	\$757,995
Special Revenue Funds	3,623,600	3,332,394	(291,206)
Debt Service Fund	7,960,879	7,668,814	(292,065)
Capital Projects Funds	1,372,200	1,273,019	(99,181)
Expendable Trust Funds	140,120	177,476	37,356
Proprietary Funds			
Enterprise Funds	18,879,134	16,992,267	(1,886,867)
Fiduciary Funds:			
Internal Service Funds	1,125,847	946,096	(179,751)
Nonexpendable Trust Funds	2,050	2,612	562
Agency Fund	<u>53,000</u>	<u>46,279</u>	<u>(6,721)</u>
Totals	<u><u>\$40,057,343</u></u>	<u><u>\$38,097,465</u></u>	<u><u>(\$1,959,878)</u></u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF DISBURSEMENTS
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Type/Fund</u>	<u>Encumbrances from 12/31/98</u>	<u>1999 Appropriations</u>	<u>Total</u>	<u>1999 Disbursements</u>	<u>Encumbrances at 12/31/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Type:							
General Fund	\$339,374	\$6,932,912	\$7,272,286	\$6,867,640	\$152,777	\$7,020,417	\$251,869
Special Revenue Funds	29,245	3,554,396	3,583,641	3,191,909	76,093	3,268,002	315,639
Debt Service Fund	0	7,960,879	7,960,879	7,772,188	0	7,772,188	188,691
Capital Projects Funds	2,199,332	1,438,951	3,638,283	3,890,644	1,988,520	5,879,164	(2,240,881)
Expendable Trust Funds	0	142,990	142,990	142,978	0	142,978	12
Proprietary Type:							
Enterprise Funds	1,965,203	18,592,722	20,557,925	18,627,320	2,844,802	21,472,122	(914,197)
Internal Service Funds	24,158	1,135,578	1,159,736	898,375	156,318	1,054,693	105,043
Fiduciary Type:							
Nonexpendable Trust Funds	0	200	200	120	0	120	80
Agency Fund	0	53,000	53,000	42,643	0	42,643	10,357
Totals	<u>\$4,557,312</u>	<u>\$39,811,628</u>	<u>\$44,368,940</u>	<u>\$41,433,817</u>	<u>\$5,218,510</u>	<u>\$46,652,327</u>	<u>(\$2,283,387)</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The City of Marysville, Union County, Ohio, (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is a charter city and operates under the direction of a council-mayor-administrator form of government. The City provides general governmental services, including water and sewage, sanitation, pool operations (leisure time activities), and police and fire services.

As indicated below, the Marysville Municipal Court statutorily maintains amounts of cash activity in a fiduciary capacity outside the control of the Finance Director. This cash is not included in the accompanying financial statements.

Division	Beginning Cash Balances	1999		Ending Cash Balances
		Receipts	Disbursements	
Civil/Small Claims	\$20,052	\$57,084	\$66,836	\$10,300
Traffic/Criminal	15,428	1,404,940	1,403,984	16,384
Totals	<u>\$35,480</u>	<u>\$1,462,024</u>	<u>\$1,470,820</u>	<u>\$26,684</u>

The City's management believes these financial statements present all activities for which the City is financially accountable.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-6-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING

The City uses fund accounting to segregate cash and investments that are restricted as to use. The City classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The City had the following significant Special Revenue Funds:

Street Fund - This fund receives local tax money for repairing and maintaining City streets.

Fire Fund -This fund receives local tax money for operating the Fire Department. The Fire Department provides security of persons and property for residents.

Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The City had the following significant capital project funds:

Capital Improvement Fund -The fund receives revenue from proceeds from the sale of notes to cover costs for the acquisition or construction of capital projects and the redemption of debt.

Parkland Development Fund - This fund receives donations from local governmental entities and local businesses for development of parkland in and around the City.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The City had the following significant enterprise funds:

Water Fund - Receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - Receives charges for services from residents to cover the cost of providing this utility.

Sanitation Fund - Receives charges for services from residents to cover the cost of providing this utility.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Internal Service Funds

These funds are used to allocate the cost of providing certain centralized services among the other funds of the City on a cost reimbursement basis. The City had the following significant Internal Service Funds:

Finance Department Service Fund - Receives charges for services from other City funds to reimburse this fund for the cost of accounting services provided to those funds.

Engineering Department Service Fund - Receives charges for services from other City funds to reimburse this fund for the cost of engineering services provided to those funds.

Public Service Center Service Fund - The City is centralizing various services (utilities, street dept., etc.) in a remote location away from the City Hall. This fund was established to account for the shared costs of operating this facility and will be reimbursed by charges to the Enterprise and Special Revenue Funds which receive the receipts for provision of these services.

FIDUCIARY FUNDS (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the City is acting in an agency capacity are classified as agency funds. The City had the following significant fiduciary funds:

Police Pension Fund - This fund receives property tax monies from a levy established for the payment of retirement obligations for the Police Department.

Fireman's Pension Fund - This fund receives property tax monies from a levy established for the payment of retirement obligations for the Fire Department.

D. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. City Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Compliance

The Debt Service Fund had a \$ 77,749 negative fund balance at year-end.

The following funds had expenditures which exceeded appropriations:

Fund	Amount by which expenditures exceeded appropriations
Special Revenue Funds	
Computer Research	\$4,706
Capital Projects	
Sewer Construction	\$280,120
Capital Improvement	\$1,993,896
Enterprise Funds	
Sewer System Reserve	\$1,949,533

Transfers between the General and Special Revenue funds were not approved by City Council in all circumstances.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Estimated Resources (continued)

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.

Encumbrances

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

E. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the general purpose financial statements.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the City.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

Statutes require the classification of money held by the City into three categories:

Category 1 consists of "active" moneys, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such moneys must be maintained either as cash in the County's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or money market accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be held in deposits or investments maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" moneys, those moneys which are redeemable within two years from the date of purchase, not to exceed the end of the current period of depositories. Interim moneys may be invested or deposited, pursuant to section 135.14, Revised Code, in the following securities:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality;
3. Interim deposits in the eligible institutions applying for interim moneys as provided in Section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with Section 135.09 of the Revised Code and the treasurer or governing board shall determine that periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made decline to accept the interim deposit in which event the award shall be made as though such institution had not applied for such interim deposit;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division 1 or 2 of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

At December 31, 1999, the carrying amount of the City's deposits was \$1,942,870 and the bank balance was \$2,063,102. Of the bank balance, \$100,000 was covered by federal depository insurance. The remainder of the bank balance is secured by a collateral pool established by the financial institution.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

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

December 31, 1999			
	Category 1	Carrying Amount	Fair Value
Marysville Special Assessment Notes	\$30,000	\$30,000	\$30,000
STAR Ohio	<u> </u>	<u>\$6,770,354</u>	<u>\$6,770,354</u>
Totals	<u>\$30,000</u>	<u>\$6,800,354</u>	<u>\$6,800,354</u>

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax year 1998 was \$4.50 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.50 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$4.50 per \$1000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 1998 was \$4.50 per \$1,000 of assessed valuation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

3. PROPERTY TAX (continued)

Real Property - 1998 Valuation		
Residential/Agricultural	\$	116,965,090
Commercial/Industrial and		61,457,760
Public Utilities		59,620
Tangible Personal Property - 1999 Valuation		
General		56,372,060
Public Utilities		12,308,760
Total Valuation	\$	247,163,290

The Union County Treasurer collects property tax on behalf of all taxing districts within the County. The Union County Auditor periodically remits to the taxing districts their portion of the taxes collected.

4. LOCAL INCOME TAX

This locally levied tax of one percent is applied to gross salaries, wages and other personnel service compensation earned by residents both in the City and to earnings of nonresidents (except certain transients) earned within the City limits. It also applies to net income to business organizations conducted within the City. Tax receipts are credited to the General Fund.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$4,950,000	4.3- 7.375%
Mortgage Revenue Bonds	12,355,000	4.35 - 7.85%
Special Assessment Bonds	30,000	6.50%
General Obligation Notes	16,565,000	3.51 - 4.16%
Total	\$33,900,000	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

5. DEBT (continued)

Future amortization of all bonded debt, including interest payments of \$ 10,402,799, is scheduled as follows:

Year ending December 31	Mortgage Revenue Bonds	General Obligation Bonds	Special Assessment Bonds
2000	1,193,997	565,561	6,950
2001	1,184,626	550,838	6,625
2002	1,188,120	555,791	6,300
2003	1,189,060	554,110	5,975
2004	945,764	551,358	5,650
2005-2009	4,624,515	2,659,084	5,325
2010-2014	4,228,790	1,802,852	--
2015-2019	4,220,528	--	--
2020-2021	1,692,775	--	--
Total	<u><u>\$20,468,175</u></u>	<u><u>\$7,239,594</u></u>	<u><u>\$36,825</u></u>

Future amortization of all note debt, including interest payments of \$ 572,450, is scheduled as follows:

Year ending December 31	General Obligation Notes
1999	\$17,111,929

6. RETIREMENT SYSTEMS

The City's Police and Fire personnel belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

6. RETIREMENT SYSTEMS (continued)

Contribution rates are prescribed by the Ohio Revised Code. The City subsidizes a portion of employees retirement contributions on behalf of the employees. The contribution percentages for the year ended December 31, 1999 were:

PFDPF	<u>Employee Portion</u>	<u>Employer Pick up</u>	<u>Employer Portion</u>
Police Dispatchers	0.25%	8.25%	19.50%
Police Officers	1.75%	8.25%	19.50%
Police Chief & Assistant Chief	2.25%	7.75%	19.50%
Fire Chief & Assistant Chief	2.25%	7.75%	24.00%
Firefighters	2.25%	7.75%	24.00%
PERS			
All other employees	0.75%	7.75%	13.55%

The City has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The City has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The City also provides medical and dental coverage to full-time employees through premium based plans.



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

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

We have audited the financial statements of the City of Marysville, Union County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated March 9, 2000, wherein we noted that the City had not adopted generally accepted accounting principles as required by the Ohio Administrative Code. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-20680-01 through 1999-20680-05. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated March 9, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-20680-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated March 9, 2000.

This report is intended for the information and use of management and the City Council, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 9, 2000

FOR THE YEAR ENDED DECEMBER 31, 1999

SCHEDULE OF FINDINGS

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

1999-20680-01

Ohio Admin. Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

We recommend that the City prepare it's financial statements in accordance with generally accepted accounting principles.

1999-20680-02

Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Debt Service Fund had a \$ 77,749 negative fund balance at year-end which implies monies from another fund were used to cover the expenses of this fund. We recommend the City take appropriate action to ensure this situation is alleviated and to prevent future negative fund balances.

1999-20680-03

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 deal with allowable transfers of funds and specify that monies may be transferred from the General Fund to any other fund of the subdivision by resolution of the taxing authority. The City made monthly transfers between the General and Special Revenue funds with no evidence of Council approval of these transfers. Without Council review and approval of these transfers this could result in unauthorized transfers being made and monies being expended improperly. We recommend all transfers of monies between funds be done only after Council review and approval via formal resolution.

1999-20680-04

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

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.

FOR THE YEAR ENDED DECEMBER 31, 1999

SCHEDULE OF FINDINGS
(Continued)

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

1999-20680-04 (continued)

The City of Marysville had large budgetary variances in all funds when estimated receipts were compared to actual receipts. The City's failure to reduce its certificate of estimated resources resulted in appropriations exceeding the amounts available for expenditure (beginning unencumbered funds plus actual receipts) for the following funds:

Fund	Amount by Which 1999 Appropriations Exceeded Unencumbered Fund Balances plus 1999 Actual Receipts
Special Revenue Funds	
Street Construction	102,936
Fire Fund	140,377
Federal COPS Grant	95,651
Total Special Revenue Funds	338,964
Debt Service Funds	266,440
Enterprise Funds	
Water System Reserve Fund	131,245
Sewer Rental Fund	93,173
Total Enterprise Funds	224,418
Internal Service Funds	
Finance Fees Fund	31,250
Agency Fund	6,721

FOR THE YEAR ENDED DECEMBER 31, 1999

**SCHEDULE OF FINDINGS
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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1999-20680-05	
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Ohio Rev. Code Section 5705.41(B) prohibits a political subdivision from making an expenditure unless it has been properly appropriated. The following funds within the noted fund type were found to have total expenditures in excess of total appropriations:

Fund	Amount by which expenditures exceeded appropriations
Special Revenue Funds	
Computer Research	\$4,706
Capital Projects	
Sewer Construction	\$280,120
Capital Improvement	\$1,993,896
Enterprise Funds	
Sewer System Reserve	\$1,949,533

1999-20680-06	
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Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

We noted a lack of Council monitoring controls over revenue collection, expenditure processing, and financial reporting, to identify unusual fluctuations in the City's revenues, expenditures, and outstanding encumbrances. The lack of monitoring controls could result in the decline of the City's control procedures without legislative knowledge.

We recommend the City appoint a member(s) of the Council to periodically review information regarding revenues, expenditures, outstanding encumbrances, and monthly cash balances. This review should include the monthly reconciliation of all bank accounts and monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations.

**CITY OF MARYSVILLE
UNION COUNTY**

DECEMBER 31, 1999

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number		
<u>Finding Summary</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ;	Explanation

1998-20680-01		
Ohio Administrative Code Section 117-6-01 requires the City to prepare its financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements on the basis of accounting formerly permitted or prescribed by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.	Not Corrected	The newly elected/appointed management of the City (Mayor and Finance Director) plan on reporting in accordance with GAAP for fiscal year 2000.

1998-20680-02		
Ohio Rev. Code Section 117.38 requires entities reporting on the basis of accounting formerly prescribed or permitted by the Auditor of State file the report with the Auditor of State within 60 days of year end. The City completed and filed their 1998 financial report with the Auditor of State on June 1, 1999.	Corrected	



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CITY OF MARYSVILLE

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 18, 2000**