



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF MARYSVILLE
UNION COUNTY**

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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 basic financial statements of the City of Marysville, Union County, Ohio (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Marysville, Union County, Ohio, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2000, the City prepared, for the first time, basic financial statements in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the *Governmental Accounting Standards Board* requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

JIM PETRO
Auditor of State

December 19, 2001

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

The discussion and analysis of the City of Marysville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2000. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2000 are as follows:

- .. In total, net assets increased \$1.2 million. Net assets of governmental activities decreased \$2.1 million, which represents a 6.2 percent decrease from 1999. Net assets of business-type activities increased \$3.3 million or 26 percent from 1999.
- .. Total assets of governmental activities increased \$2.1 million, which represents a 4.8 percent increase from 1999.
- .. Total liabilities of governmental activities increased by \$4.2 million, which is attributable to a large increase in long term debt.
- .. In total, cash and cash equivalents decreased \$979,000 or 11 percent. Total cash and cash equivalents of governmental activities increased \$421,000 or 8.4 percent, while cash and cash equivalents in business-type activities decreased over \$1.4 million or 37.2 percent.
- .. Overall, the book value of capital assets increased by over \$4.3 million. Total capital assets from governmental activities decreased by \$0.6 million or 1.7 percent. Capital assets from business-type activities increased by over \$3.7 million or 11 percent.
- .. On a cash basis, city income tax revenue increased 7.8 percent. A comparison to the prior period is not possible since 2000 is the first year modified accrual numbers were prepared.

Using the Annual Financial Report

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

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

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

Reporting the City of Marysville as a Whole

Statement of Net Assets and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2000?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Marysville's Most Significant Funds

Fund Financial Statements

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

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

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

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

The City of Marysville as a Whole

The statement of net assets reviews the City as a whole. The following table is a summary of the City's net assets for 2000 and 1999.

	Net Assets (In Millions)					
	Governmental Activities		Business-Type Activities		Total	
	2000	1999	2000	1999	2000	1999
Assets						
Current and Other Assets	\$9.6	\$8.1	\$4.3	\$6.0	\$13.9	\$14.1
Capital Assets, Net	37.0	36.4	37.1	33.4	74.1	69.8
Total Assets	46.6	44.5	41.4	39.4	88.0	83.9
Liabilities						
Current and Other Liabilities	(2.5)	(2.4)	(0.7)	(0.9)	(3.2)	(3.3)
Long-Term Liabilities:						
Due Within One Year	(2.3)	(7.9)	(9.3)	(9.7)	(11.6)	(17.6)
Due in More Than One Year	(10.1)	(0.4)	(15.6)	(16.3)	(25.7)	(16.7)
Total Liabilities	(14.9)	(10.7)	(25.6)	(26.9)	(40.5)	(37.6)
Net Assets						
Invested in Capital						
Assets Net of Related Debt	25.1	28.8	12.9	7.5	38.0	36.3
Restricted for:						
Capital Projects	1.4	2.2	0.0	0.0	1.4	2.2
Debt Service	0.9	(0.5)	0.0	0.0	0.9	(0.5)
Other Purposes	1.1	0.7	0.0	0.0	1.1	0.7
Sewer Bond Covenants	0.0	0.0	1.0	2.6	1.0	2.6
Water Bond Covenants	0.0	0.0	0.6	0.4	0.6	0.4
Future Debt	0.0	0.0	1.2	0.0	1.2	0.0
Unrestricted	3.2	2.6	0.1	2.0	3.3	4.6
Total Net Assets	\$31.7	\$33.8	\$15.8	\$12.5	\$47.5	\$46.3

Total assets increased \$4.1 million. Equity in pooled cash and cash equivalents decreased \$979,000. This increase is due primarily to the issuance of the November bonds of which a portion was used to complete several capital projects ongoing at fiscal year end.

Capital assets of the City's governmental activities decreased by \$0.6 million primarily due to depreciation associated with the City's infrastructure.

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

The capital assets of the City's business type activities increased by \$3.7 million or 11 percent. The City continues to invest heavily in our water and wastewater treatment facilities. During 2000, the City purchased 212 acres of land along Raymond Road for construction of an up-ground reservoir and also had four major water and wastewater improvements in progress. These improvements provided a sanitary sewer line to the north-end of the City (due to the 1998 annexation), a major head-works improvement at the wastewater treatment plant, new water and sanitary sewer lines installed at Timber Trails (a subdivision annexed in 1998), and a sanitary sewer line and lift station installed on Sycamore Street. In addition, the City awarded a contract in May, 2001, for major improvements to the Water Plant and have scheduled a major plant expansion for the Wastewater Treatment Plant in 2003. Continual upgrades to these plants and the lines providing services to the residents of the City have been a top priority for at least the last ten years when the water division was purchased from the Ohio Water Company, a privately owned company which provided water services to the City prior to 1991. These major improvements and the continued growth of the City prompted a financial feasibility study in 2000. This study recommended usage rate adjustments for each of the next five years to ensure the continued success of these activities. These were the first rate increases experienced by the residents since 1987. The first rate increase was enacted May 1, 2001, with the rates to increase January 1 of each year through 2005.

Table 2 shows the changes in net assets for the year ended December 31, 2000. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to prior years are not available.

**Changes in Net Assets
(In Millions)**

	Governmental Activities	Business-Type Activities	Total
	2000	2000	2000
Revenues			
Program Revenues			
Charges for Services	\$2.3	\$6.1	\$8.2
Operating Grants, Contributions, and Interest	0.7	0.0	0.7
Capital Grants and Contributions	1.8	0.5	2.3
General Revenues			
Property Taxes	1.1	0.0	1.1
Municipal Income Taxes	4.9	0.0	4.9
Grants and Entitlements	1.0	0.0	1.0
Transfers	(3.1)	3.1	0.0
Other	0.3	0.3	0.6
Total Revenues	8.8	10.0	18.8
			(continued)

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

**Changes in Net Assets
(In Millions)
(continued)**

	Governmental Activities	Business-Type Activities	Total
	2000	2000	2000
Program Expenses			
General Government	\$2.3	\$0.0	\$2.3
Security of Persons and Property:			
Police	2.1	0.0	2.1
Fire	2.3	0.0	2.3
Other	0.7	0.0	0.7
Leisure Time Activities	0.3	0.0	0.3
Transportation	2.2	0.0	2.2
Community Environment	0.6	0.0	0.6
Interest and Fiscal Charges	0.4	0.0	0.4
Sanitation	0.0	0.8	0.8
Sewer	0.0	2.7	2.7
Water	0.0	3.2	3.2
Total Expenses	10.9	6.7	17.6
Increase (Decrease) in Net Assets	(\$2.1)	\$3.3	\$1.2

Governmental Activities

Several revenue sources fund our governmental activities, with income taxes generally being the biggest contributor. The income tax rate of 1 percent was enacted in 1968. The income tax revenue for 2000 was approximately \$4.9 million. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts funding approximately 64 percent of all expenses in the governmental activities, the City monitors each of these revenue sources very closely for fluctuations.

The City has been able to increase our income tax collections approximately 11 percent per year for the last three years. Our tax base has continued to grow with annexation and expansion of several businesses along Industrial Parkway and many new small shops and stores expanding in our City. The City of Marysville was very aggressive in 2000 collecting delinquent income tax. Local government funding from the State fluctuates based on the economic condition of the State and has been increasing steadily, although the City has been notified the State will freeze contributions from the local government and local government revenue assistance funds for an eighteen month period. While this will not reduce the level of funding received from these sources, there will be no additional growth in these distributions during this period.

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

Security of persons and property and water, sewer, and sanitation services are major activities of the City, generating 67 percent of total expenses. Several changes made in these departments, due to retirement and realignment of job responsibilities, has streamlined their operations. An effort has been made to reduce the amount of overtime worked while providing the same levels of service without additional personnel. The fire division has worked with the City administration in reducing costs or holding costs in line with training being done in house, restricted use of overtime, and divisional employees performing many of the maintenance tasks in and around the fire station and on divisional equipment. The City does monitor the police and fire division budgets very closely as these two divisions use a significant amount of general revenues.

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

Business-Type Activities

The City's business-type activities are our sanitation, sewer, and water departments. The water and wastewater treatment plants provide services to a resident base approaching 16,000. The City also provides wastewater treatment for the Village of Milford Center and several small unincorporated areas where Union County has provided the residents with water and wastewater treatment lines. The water plant generated revenues in excess of \$3.3 million and had expenses of \$3.2 million. The wastewater treatment plant generated revenues in excess of \$2.3 million and had expenses of \$2.8 million. This budget shortfall was handled by a temporary advance of General Fund resources to the Sewer Fund. As mentioned previously, the City has determined it necessary to increase rates charged by these operations to ensure the fees charged covered the costs of providing these services. The rate adjustments will also be sufficient to repay one-half of the advance to the General Fund during 2001 and one-half will be repaid in 2002. The City's goal is to cover the costs of operations as well as building a cash balance in these funds equivalent to one-third of the department's annual operating budget as recommended by the City's bond underwriters.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues of \$29.7 million and expenditures of \$29 million. The most significant change was the restructuring of the City's debt from short-term notes to long-term bonds. In November 2000, the City issued approximately \$10 million in long-term general obligation bonds to repay general obligation notes. The City also reclassified many of its funds when changing from cash basis accounting to reporting in accordance with generally accepted accounting principles. These reclassifications moved several departments (Fire, Finance, Engineering, and Public Service Center), which were supported almost entirely by the General Fund, from separate funds back to the General Fund. These changes reduced the transfer of funds from the General Fund and resulted in an increase in the ending cash balance of the General Fund. While General Fund revenues exceeded expenditures by \$708,591, much of the excess was transferred to other funds. These funds used the transfers for street maintenance, permanent improvements, and subsidizing wastewater treatment operations. The General Fund was the only governmental fund where the net change in fund balance was significant.

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

General Fund Budgeting Highlights

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

During the course of 2000, the City amended its General Fund budget numerous times. All recommendations for a budget change come from the City Finance Director to City Council for review and approval. The City does allow small inter-departmental budget changes that modify line items within departments within the same fund. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most general government activities, the General Fund is monitored closely to prevent possible revenue shortfalls or over spending by individual departments.

For the General Fund, original budgeted revenues were \$7.7 million. The final budgeted amount was in excess of \$8.8 million. Of this \$1.1 million difference, most was due to conservative estimates for the City's charges for services, primarily the charges to other funds receiving services provided by the finance and engineering departments, which are financed in the General Fund.

Capital Assets and Debt Administration

Capital Assets

**Capital Assets at December 31, 2000
(Net of Depreciation, in Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2000	1999	2000	1999	2000	1999
Land	\$0.7	\$0.7	\$1.6	\$1.6	\$2.3	\$2.3
Buildings	2.1	2.2	6.9	4.6	9.0	6.8
Improvements other than Buildings	0.4	0.4	0.0	0.0	0.4	0.4
Computers and Computer Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Furniture and Equipment	0.5	0.3	0.2	0.1	0.7	0.4
Vehicles	0.9	0.9	0.4	0.3	1.3	1.2
Infrastructure						
Bridges	0.3	0.3	0.0	0.0	0.3	0.3
Roads	27.7	28.3	0.0	0.0	27.7	28.3
Storm Sewer	2.6	2.4	0.0	0.0	2.6	2.4
Other	1.3	0.9	28.0	26.8	29.3	27.7
Construction in Progress	0.5	0.0	0.0	0.0	0.5	0.0
Totals	\$37.0	\$36.4	\$37.1	\$33.4	\$74.1	\$69.8

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

The decrease noted in governmental funds was due to increased depreciation costs for our road infrastructure. The City has been unable to fund significant road improvement projects for several years and has concentrated on patching roads to try and extend the life of the asset until a funding solution specific to road improvements can be found. The increases seen in the business-type activities were due to the improvement projects discussed on previous pages. The Administration has made it a priority to properly manage the growth of the City and to ensure the utilities are capable of meeting the needs of the growing population.

Debt

At December 31, 2000, the City of Marysville had \$37.2 million in bonds, notes, claims, judgments, and compensated absences outstanding, \$11.6 million due within one year.

**Outstanding Debt at Year End
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2000	1999	2000	1999	2000	1999
Notes	\$1.7	\$7.7	\$8.4	\$8.9	\$10.1	\$16.6
General Obligation Bonds	10.2	0.2	4.5	4.7	14.7	4.9
Special Assessment Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage Revenue Bonds	0.0	0.0	11.8	12.3	11.8	12.3
Compensated Absences and Capital Leases	0.5	0.3	0.1	0.0	0.6	0.3
Total	\$12.4	\$8.2	\$24.8	\$25.9	\$37.2	\$34.1

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

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

The remaining notes payable from business-type activities are scheduled to be refinanced with long-term bonds in 2001 and 2002.

The City's overall legal debt margin was \$19,320,394 at December 31, 2000.

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2000
UNAUDITED**

The Future

The City of Marysville is working diligently to increase revenues and decrease costs to put the City on more stable footing. Between 1990 and 2000, the City of Marysville grew from a community of 9,500 to a community approaching 16,000 residents. As is common in all cities experiencing massive growth patterns, we are feeling some growing pains and having significant capital improvement needs for future periods.

The City has purchased numerous items of new equipment in the last few years and has made a commitment not to borrow additional monies for assets with a short useful life. Items purchased include replacement vehicles for every division within the City. We have made an effort to replace equipment with large maintenance needs with newer equipment which will operate more efficiently and will incur lower maintenance costs over the next few years.

We have also made large expenditures for building repairs and maintenance. In March 2000 we opened the Public Service Center which houses many of our water division employees, and the streets, building and grounds, and parks and recreation departments. The Municipal Building will be evaluated during 2001 to determine the City's needs for the future as well as mapping a strategy to provide for those needs.

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

In conclusion, the City of Marysville has committed itself to financial excellence in the coming years. The City of Marysville is also one of the first cities in Ohio to prepare its financial statements using the Governmental Accounting Standards Board new reporting model outlined in GASB Statement No. 34. Our commitment to the residents of the City of Marysville should always be full disclosure of the financial position of the City.

The City must thank Mr. Jim Petro, our State Auditor, and his staff for their involvement and tremendous amount of help in putting together these financial statements. Mr. Petro's desire to make the State of Ohio one of the most respected in financial reporting to the citizens has certainly rubbed off in Marysville and the City is proud to be part of this commitment.

Contacting the City's Finance Department

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

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City of Marysville
Statement of Net Assets
December 31, 2000

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$5,424,725	\$2,346,463	\$7,771,188
Cash and Cash Equivalents in Segregated Accounts	127,484	0	127,484
Cash and Cash Equivalents with Fiscal Agent	0	1,792,690	1,792,690
Accounts Receivable	22,366	451,458	473,824
Municipal Income Taxes Receivable	1,143,319	0	1,143,319
Other Local Taxes Receivable	4,355	0	4,355
Due from Other Governments	780,853	45,433	826,286
Prepaid Items	90,191	77,647	167,838
Internal Balances	423,275	(423,275)	0
Property Taxes Receivable	1,180,588	0	1,180,588
Special Assessments Receivable	417,244	0	417,244
Land	677,539	1,668,500	2,346,039
Depreciable Capital Assets, Net	<u>36,400,216</u>	<u>35,393,989</u>	<u>71,794,205</u>
 Total Assets	 <u>46,692,155</u>	 <u>41,352,905</u>	 <u>88,045,060</u>
<u>Liabilities</u>			
Accrued Wages Payable	175,787	47,174	222,961
Accounts Payable	140,067	183,832	323,899
Contracts Payable	478,768	99,447	578,215
Due to Other Governments	334,104	58,417	392,521
Deferred Revenue	1,145,819	0	1,145,819
Undistributed Assets	127,484	0	127,484
Retainage Payable	28,935	161,016	189,951
Accrued Interest Payable	102,973	244,227	347,200
Long-Term Liabilities:			
Due Within One Year	2,299,677	9,265,754	11,565,431
Due in More than One Year	<u>10,133,165</u>	<u>15,554,599</u>	<u>25,687,764</u>
 Total Liabilities	 <u>14,966,779</u>	 <u>25,614,466</u>	 <u>40,581,245</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	25,087,801	12,911,441	37,999,242
Restricted for:			
Capital Projects	1,422,847	0	1,422,847
Debt Service	961,005	0	961,005
Other Purposes	1,040,249	0	1,040,249
Sewer Construction	0	174,801	174,801
Sewer Reserve	0	794,009	794,009
Water Replacement and Improvement	0	413,679	413,679
Water Reserve	0	225,546	225,546
Future Debt	0	1,160,540	1,160,540
Unrestricted	<u>3,213,474</u>	<u>58,423</u>	<u>3,271,897</u>
 Total Net Assets	 <u>\$31,725,376</u>	 <u>\$15,738,439</u>	 <u>\$47,463,815</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
Statement of Activities
For the Year Ended December 31, 2000

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities</u>				
General Government	\$2,260,531	\$891,962	\$0	\$41,317
Security of Persons and Property:				
Police	2,089,582	75,748	169,394	0
Fire	2,256,104	282,821	0	0
Other	720,710	668,817	10,400	0
Leisure Time Activities	338,687	173,422	0	80,005
Transportation	2,205,037	0	557,792	1,308,422
Community Environment	646,082	0	0	408,145
Interest and Fiscal Charges	422,213	0		0
Total Governmental Activities	10,938,946	2,092,770	737,586	1,837,889
<u>Business-Type Activities</u>				
Sanitation	780,972	742,799	0	0
Sewer	2,784,171	2,017,253	0	263,425
Water	3,229,152	3,291,318	0	259,478
Total Business-Type Activities	6,794,295	6,051,370	0	522,903
Total	\$17,733,241	\$8,144,140	\$737,586	\$2,360,792

General Revenues

Property Taxes
Other Local Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Contributions and Donations
Other Revenues
Transfers

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated Note 3

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,327,252)	\$0	(\$1,327,252)
(1,844,440)	0	(1,844,440)
(1,973,283)	0	(1,973,283)
(41,493)	0	(41,493)
(85,260)	0	(85,260)
(338,823)	0	(338,823)
(237,937)	0	(237,937)
(422,213)	0	(422,213)
<u>(6,270,701)</u>	<u>0</u>	<u>(6,270,701)</u>
0	(38,173)	(38,173)
0	(503,493)	(503,493)
0	321,644	321,644
<u>0</u>	<u>(220,022)</u>	<u>(220,022)</u>
<u>(6,270,701)</u>	<u>(220,022)</u>	<u>(6,490,723)</u>
1,122,130	0	1,122,130
8,142	0	8,142
4,868,183	0	4,868,183
958,701	0	958,701
240,817	351,030	591,847
18,038	0	18,038
43,143	0	43,143
(3,113,072)	3,113,072	0
<u>4,146,082</u>	<u>3,464,102</u>	<u>7,610,184</u>
(2,124,619)	3,244,080	1,119,461
<u>33,849,995</u>	<u>12,494,359</u>	<u>46,344,354</u>
<u>\$31,725,376</u>	<u>\$15,738,439</u>	<u>\$47,463,815</u>

See Accountant's Compilation Report

City of Marysville
Balance Sheet
Governmental Funds
December 31, 2000

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,964,800	\$628,092	\$2,831,833	\$5,424,725
Cash and Cash Equivalents in Segregated Accounts	127,484	0	0	127,484
Receivables:				
Property Taxes	1,022,822	0	157,766	1,180,588
Other Local Taxes	4,355	0	0	4,355
Municipal Income Taxes	1,143,319	0	0	1,143,319
Accounts	21,959	0	407	22,366
Special Assessments	0	417,244	0	417,244
Interfund	476,396	0	6,808	483,204
Due from Other Governments	497,705	0	283,148	780,853
Prepaid Items	85,990	0	4,201	90,191
Total Assets	\$5,344,830	\$1,045,336	\$3,284,163	\$9,674,329
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts Payable	\$113,533	\$8,275	\$18,259	\$140,067
Contracts Payable	8,686	0	470,082	478,768
Retainage Payable	0	0	28,935	28,935
Accrued Wages Payable	160,907	0	14,880	175,787
Interfund Payable	6,808	0	53,121	59,929
Due to Other Governments	100,221	0	30,401	130,622
Deferred Revenue	1,715,829	417,244	362,508	2,495,581
Undistributed Assets	127,484	0	0	127,484
Total Liabilities	2,233,468	425,519	978,186	3,637,173
<u>Fund Balance</u>				
Reserved for Encumbrances	349,296	106,426	1,277,425	1,733,147
Unreserved, Reported in:				
General Fund	2,762,066	0	0	2,762,066
Special Revenue Funds	0	0	844,793	844,793
Debt Service Fund	0	513,391	0	513,391
Capital Projects Funds	0	0	183,759	183,759
Total Fund Balance	3,111,362	619,817	2,305,977	6,037,156
Total Liabilities and Fund Balance	\$5,344,830	\$1,045,336	\$3,284,163	\$9,674,329

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2000

Total Governmental Fund Balance	\$6,037,156
Amounts reported for governmental activities in the statement of net assets are different due to:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	37,077,755
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Property Taxes	34,769
Other Local Taxes	1,952
Municipal Income Taxes	394,078
Special Assessments	417,244
Charges for Services	27,111
Fees, Licenses, and Permits	20,237
Intergovernmental	447,085
Other Revenues	<u>7,286</u>
Total	1,349,762
Due to other governments includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, are not reported in the funds	(203,482)
Long-term liabilities, including accrued interest payable and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued Interest Payable	(102,973)
Notes Payable	(1,740,130)
Compensated Absences Payable	(442,888)
Capital Leases Payable	(59,824)
Special Assessment Bonds Payable	(25,000)
General Obligation Bonds Payable	<u>(10,165,000)</u>
Total	<u>(12,535,815)</u>
Net Assets of Governmental Activities	<u><u>\$31,725,376</u></u>

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2000

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$972,192	\$0	\$142,208	\$1,114,400
Other Local Taxes	6,190	0	0	6,190
Municipal Income Taxes	4,832,758	0	0	4,832,758
Special Assessments	0	32,218	0	32,218
Charges for Services	1,279,246	0	0	1,279,246
Fees, Licenses, and Permits	133,782	0	58,197	191,979
Fines and Forfeitures	421,001	0	163,596	584,597
Intergovernmental	698,176	0	539,435	1,237,611
Interest	238,149	1,950	729	240,828
Contributions and Donations	19,218	0	80,005	99,223
Other Revenues	42,688	0	395	43,083
Total Revenues	8,643,400	34,168	984,565	9,662,133
<u>Expenditures</u>				
Current:				
General Government	2,141,712	0	120	2,141,832
Security of Persons and Property:				
Police	1,804,920	0	154,203	1,959,123
Fire	2,051,395	0	90,055	2,141,450
Other	655,806	0	53,249	709,055
Leisure Time Activities	291,430	0	0	291,430
Transportation	0	0	927,562	927,562
Community Environment	634,610	0	0	634,610
Capital Outlay	0	0	2,361,118	2,361,118
Debt Service:				
Principal Retirement	342,106	13,780,000	440,016	14,562,122
Interest and Fiscal Charges	13,717	432,518	41,394	487,629
Total Expenditures	7,935,696	14,212,518	4,067,717	26,215,931
Excess of Revenues Over (Under) Expenditures	707,704	(14,178,350)	(3,083,152)	(16,553,798)
<u>Other Financing Sources (Uses)</u>				
General Obligation Bonds Issued	0	9,502,074	487,926	9,990,000
Bond Anticipation Notes Issued	888,700	6,987,120	959,310	8,835,130
Inception of Capital Lease	34,687	0	275	34,962
Transfers In	0	247,902	934,099	1,182,001
Transfers Out	(1,188,524)	(1,591,180)	0	(2,779,704)
Total Other Financing Sources (Uses)	(265,137)	15,145,916	2,381,610	17,262,389
Net Change in Fund Balance	442,567	967,566	(701,542)	708,591
Fund Balance Beginning of Year - Restated Note 3	2,668,795	(347,749)	3,007,519	5,328,565
Fund Balance End of Year	\$3,111,362	\$619,817	\$2,305,977	\$6,037,156

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2000

Net Change in Fund Balance - Total Governmental Funds		\$708,591
<p>Amounts reported for governmental activities in the statement of activities are different due to:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>		
		610,572
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Accounts Receivable	503,671	
Municipal Income Taxes Receivable	35,425	
Property Taxes Receivable	7,730	
Special Assessments Receivable	<u>417,244</u>	
		964,070
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.</p>		
		14,562,122
<p>Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities in the statement of activities.</p>		
		(8,835,130)
<p>Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities in the statement of activities.</p>		
		(9,990,000)
<p>The inception of capital leases is an other financing source in governmental funds, but increases long-term liabilities in the statement of net assets.</p>		
		(34,962)
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		65,416
<p>Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables which represent contractually required pension contributions, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences Payable		(167,171)
Intergovernmental Payables		<u>(8,127)</u>
Change in Net Assets of Governmental Activities		<u><u>(\$2,124,619)</u></u>

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2000

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$998,000	\$968,445	\$972,162	\$3,717
Other Local Taxes	5,900	5,900	5,548	(352)
Municipal Income Taxes	4,650,000	4,650,000	4,795,849	145,849
Charges for Services	365,496	1,432,915	1,279,563	(153,352)
Fees, Licenses, and Permits	194,008	254,335	152,065	(102,270)
Fines and Forfeitures	370,000	370,000	432,917	62,917
Intergovernmental	720,800	770,363	706,146	(64,217)
Interest	306,500	306,500	238,149	(68,351)
Contributions and Donations	18,000	36,000	19,218	(16,782)
Other Revenues	120,250	81,915	43,878	(38,037)
Total Revenues	7,748,954	8,876,373	8,645,495	(230,878)
<u>Expenditures</u>				
Current:				
General Government	2,342,853	2,681,048	2,511,883	169,165
Security of Persons and Property:				
Police	1,802,966	1,905,114	1,869,880	35,234
Fire	2,252,594	2,404,175	2,196,471	207,704
Other	583,514	686,082	592,923	93,159
Leisure Time Activities	139,100	323,454	294,155	29,299
Community Environment	476,363	509,642	597,686	(88,044)
Debt Service:				
Principal Retirement	0	0	325,000	(325,000)
Interest and Fiscal Charges	0	0	11,694	(11,694)
Total Expenditures	7,597,390	8,509,515	8,399,692	109,823
Excess of Revenues Over Expenditures	151,564	366,858	245,803	(121,055)
<u>Other Financing Sources (Uses)</u>				
Bond Anticipation Notes Issued	595,000	725,000	888,700	163,700
Advances In	25,000	25,000	0	(25,000)
Advances Out	0	(1,017,711)	(476,366)	541,345
Transfers In	2,037,344	432,860	0	(432,860)
Transfers Out	(3,259,022)	(2,129,954)	(1,188,524)	941,430
Total Other Financing Sources (Uses)	(601,678)	(1,964,805)	(776,190)	1,188,615
Net Change in Fund Balance	(450,114)	(1,597,947)	(530,387)	1,067,560
Fund Balance Beginning of Year	1,717,763	1,717,763	1,717,763	0
Prior Year Encumbrances Appropriated	344,675	344,675	344,675	0
Fund Balance End of Year	\$1,612,324	\$464,491	\$1,532,051	\$1,067,560

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
Statement of Net Assets
Enterprise Funds
December 31, 2000

	Sanitation	Sewer	Water	Total
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$176,014	\$115,380	\$447,034	\$738,428
Cash and Cash Equivalents with Fiscal Agent	0	7,479	0	7,479
Accounts Receivable	64,167	150,295	236,996	451,458
Due from Other Governments	933	15,939	28,561	45,433
Prepaid Items	2,377	50,230	25,040	77,647
Total Current Assets	243,491	339,323	737,631	1,320,445
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	0	968,810	639,225	1,608,035
Cash and Cash Equivalents with Fiscal Agents	0	837,527	947,684	1,785,211
Total Restricted Assets	0	1,806,337	1,586,909	3,393,246
<u>Non-Current Assets</u>				
Land	0	6,000	1,662,500	1,668,500
Depreciable Capital Assets, Net	94,580	16,581,005	18,718,404	35,393,989
Total Non-Current Assets	94,580	16,587,005	20,380,904	37,062,489
Total Assets	338,071	18,732,665	22,705,444	41,776,180
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	6,059	19,448	21,667	47,174
Accounts Payable	41,060	115,377	27,395	183,832
Contracts Payable	0	77,627	21,820	99,447
Due to Other Governments	6,673	26,287	25,457	58,417
Interfund Payable	0	423,275	0	423,275
Retainage Payable	0	161,016	0	161,016
Accrued Interest Payable	0	52,934	116,622	169,556
Notes Payable	0	5,200,570	3,169,300	8,369,870
Capital Leases Payable	1,413	1,477	2,386	5,276
Compensated Absences Payable	2,906	42,635	40,067	85,608
General Obligation Bonds Payable	0	112,650	142,350	255,000
Payable from Restricted Assets:				
Mortgage Revenue Bonds Payable	0	260,000	290,000	550,000
Accrued Interest Payable	0	33,693	40,978	74,671
Total Current Liabilities	58,111	6,526,989	3,898,042	10,483,142
<u>Non-Current Liabilities</u>				
Capital Leases Payable	1,077	1,270	3,555	5,902
Compensated Absences Payable	7,064	4,595	22,038	33,697
General Obligation Bonds Payable	0	1,816,400	2,423,600	4,240,000
Mortgage Revenue Bonds Payable	0	990,000	10,285,000	11,275,000
Total Non-Current Liabilities	8,141	2,812,265	12,734,193	15,554,599
Total Liabilities	66,252	9,339,254	16,632,235	26,037,741
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	92,090	8,464,638	4,354,713	12,911,441
Restricted for:				
Sewer Construction	0	174,801	0	174,801
Sewer Reserve	0	794,009	0	794,009
Water Replacement and Improvement	0	0	413,679	413,679
Water Reserve	0	0	225,546	225,546
Future Debt	0	543,834	616,706	1,160,540
Unrestricted (Deficit)	179,729	(583,871)	462,565	58,423
Total Net Assets	\$271,819	\$9,393,411	\$6,073,209	\$15,738,439

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
Statement of Revenues, Expenses, and Changes in Net Assets
Enterprise Funds
For the Year Ended December 31, 2000

	<u>Sanitation</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>Operating Revenues</u>				
Charges for Services	\$742,799	\$1,926,668	\$2,828,829	\$5,498,296
Tap-In Fees	0	90,585	429,474	520,059
Other Revenues	0	0	33,015	33,015
Total Operating Revenues	<u>742,799</u>	<u>2,017,253</u>	<u>3,291,318</u>	<u>6,051,370</u>
<u>Operating Expenses</u>				
Personal Services	180,606	689,752	807,387	1,677,745
Contractual Services	497,179	702,343	408,364	1,607,886
Materials and Supplies	29,177	173,634	523,686	726,497
Other Expenses	67,677	79,179	58,484	205,340
Depreciation	6,196	554,054	581,012	1,141,262
Total Operating Expenses	<u>780,835</u>	<u>2,198,962</u>	<u>2,378,933</u>	<u>5,358,730</u>
Operating Income (Loss)	<u>(38,036)</u>	<u>(181,709)</u>	<u>912,385</u>	<u>692,640</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue	0	259,360	91,670	351,030
Interest Expense	(137)	(585,209)	(850,219)	(1,435,565)
Grants	0	69,200	0	69,200
Total Non-Operating Revenues (Expenses)	<u>(137)</u>	<u>(256,649)</u>	<u>(758,549)</u>	<u>(1,015,335)</u>
Income (Loss) before Contributions and Transfers	(38,173)	(438,358)	153,836	(322,695)
Capital Contributions	97,104	1,344,521	527,447	1,969,072
Transfers In	0	1,314,470	283,233	1,597,703
Change in Net Assets	58,931	2,220,633	964,516	3,244,080
Net Assets Beginning of Year - Restated Note 3	<u>212,888</u>	<u>7,172,778</u>	<u>5,108,693</u>	<u>12,494,359</u>
Net Assets End of Year	<u>\$271,819</u>	<u>\$9,393,411</u>	<u>\$6,073,209</u>	<u>\$15,738,439</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2000

	Sanitation	Sewer	Water	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$742,674	\$2,012,675	\$3,221,731	\$5,977,080
Cash Received from Other Revenues	0	0	32,502	32,502
Cash Payments for Personal Services	(172,962)	(687,077)	(792,783)	(1,652,822)
Cash Payments to Suppliers	(512,794)	(1,007,944)	(908,797)	(2,429,535)
Cash Payments for Other Expenses	(66,761)	(77,420)	(57,757)	(201,938)
Net Cash Provided by (Used for) Operating Activities	(9,843)	240,234	1,494,896	1,725,287
<u>Cash Flows from Noncapital Financing Activities</u>				
Grants	0	69,200	0	69,200
Advances In	0	423,275	0	423,275
Transfers In	0	1,314,470	283,233	1,597,703
Net Cash Provided by Noncapital Financing Activities	0	1,806,945	283,233	2,090,178
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on General Obligation Bonds	0	(111,300)	(138,700)	(250,000)
Interest Paid on General Obligation Bonds	0	(69,662)	(131,121)	(200,783)
Principal Paid on Mortgage Revenue Bonds	0	(250,000)	(280,000)	(530,000)
Interest Paid on Mortgage Revenue Bonds	0	(169,296)	(542,447)	(711,743)
Principal Paid on Bond Anticipation Notes	0	(10,345,000)	(3,495,000)	(13,840,000)
Interest Paid on Bond Anticipation Notes	0	(409,194)	(114,480)	(523,674)
Principal Paid on Capital Leases	(1,354)	(1,370)	(1,953)	(4,677)
Interest Paid on Capital Leases	(137)	(140)	(245)	(522)
Bond Anticipation Notes Issued	0	9,915,570	3,444,300	13,359,870
Acquisition of Fixed Assets	0	(2,565,603)	(208,398)	(2,774,001)
Net Cash Used for Capital and Related Financing Activities	(1,491)	(4,005,995)	(1,468,044)	(5,475,530)
<u>Cash Flows from Investing Activities</u>				
Interest	0	246,203	63,686	309,889
Sale of Investments	0	0	422,115	422,115
Net Cash Provided by Investing Activities	0	246,203	485,801	732,004
Net Increase (Decrease) in Cash and Cash Equivalents	(11,334)	(1,712,613)	795,886	(928,061)
Cash and Cash Equivalents Beginning of Year	187,348	3,641,809	1,238,057	5,067,214
Cash and Cash Equivalents End of Year	\$176,014	\$1,929,196	\$2,033,943	\$4,139,153

(continued)

City of Marysville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2000
(continued)

	Sanitation	Sewer	Water	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating Income (Loss)	(\$38,036)	(\$181,709)	\$912,385	\$692,640
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	6,196	554,054	581,012	1,141,262
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(934)	7,673	(10,061)	(3,322)
Increase in Due from Other Governments	(188)	(13,333)	(25,768)	(39,289)
Increase in Prepaid Items	(2,377)	(9,447)	(6,958)	(18,782)
Increase in Accounts Payable	17,664	77,696	11,100	106,460
Increase (Decrease) in Contracts Payable	0	(271,038)	9,898	(261,140)
Increase in Retainage Payable	0	71,396	0	71,396
Increase (Decrease) in Accrued Wages Payable	1,872	2,230	(2,604)	1,498
Increase (Decrease) in Due to Other Governments	373	(3,129)	(7,700)	(10,456)
Increase in Compensated Absences Payable	5,587	5,841	33,592	45,020
Net Cash Provided by (Used for) Operating Activities	<u>(\$9,843)</u>	<u>\$240,234</u>	<u>\$1,494,896</u>	<u>\$1,725,287</u>

Non-Cash Capital Transactions

During 2000, capital assets were donated from the Street Construction special revenue fund, in the amount of \$97,104, to the Sanitation enterprise fund. Capital assets were constructed in the Permanent Improvement capital projects fund, in the amount of \$1,418,265; \$1,150,296 and \$267,969 were donated to the Sewer and Water enterprise funds, respectively. In addition, capital assets were constructed by developers, in the amount of \$453,703; \$194,225 and \$259,478 were donated to the Sewer and Water enterprise funds, respectively. These assets were capitalized and recorded as contributed capital in the Sewer and Water enterprise funds.

During 2000, the City entered into leases for equipment. These leases have been capitalized, in the amount of \$274, in the Sewer enterprise fund and, in the amount of \$4,051, in the Water enterprise fund.

During 2000, the fair value of the City's investments with fiscal agents decreased \$2,942, from \$425,057 to \$422,115.

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2000

	<u>Union County Law Library</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,743</u>
<u>Liabilities:</u>	
Undistributed Assets	<u>\$5,743</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 1 - REPORTING ENTITY

The City of Marysville is a charter municipal corporation founded in 1837, with the charter adopted by the electors on December 1, 1960, and updated on July 24, 1997. The City may exercise all powers of home rule granted under Article XVIII, Section 3 of the Ohio Constitution not in conflict with applicable general laws of Ohio.

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

Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Marysville in 2000.

The City is associated with the LUC Regional Planning Commission, the Marysville/Union County Joint Recreation District, and the Union County Community Improvement Corporation; all are jointly governed organizations. These organizations are more fully described in Note 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues 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 function or business segment is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund - The debt service fund accounts for special assessment revenue, proceeds of bonds/notes, and transfers used to pay debt principal and interest.

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

Proprietary Funds

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

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

Sanitation Fund - The sanitation fund accounts for the provision of solid waste disposal service to residents and commercial users within the City.

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

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

Fiduciary Funds

Fiduciary funds focus on net assets and changes in net assets. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2000. The City's agency fund, which accounts for fees charged by the law library, is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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 sixty days after year end.

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2000, but were levied to finance 2001 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgets

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

Tax Budget

A budget of estimated revenues and expenditures for all funds, other than agency funds, is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as “original” represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported in the budgetary statements as “final” reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

Appropriations

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

Lapsing of Appropriations

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

Encumbrances

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Investments

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

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

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

Investments are reported at fair value, except for repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2000.

Interest earnings are allocated to City funds according State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2000 was \$238,149, which includes \$155,755 assigned from other City funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, 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. Restricted Assets

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

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

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

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

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

J. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans 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 assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

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

N. Net Assets

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Operating Revenues and Expenses

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

P. Capital Contributions

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

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.

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 enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during 2000.

S. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

For the year ended December 31, 2000, the City of Marysville has presented for the first time basic financial statements in accordance with generally accepted accounting principles. In conjunction with this presentation, the City has changed its basis of accounting from the cash basis of accounting to government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (continued)

This change required that certain adjustments be recorded to the January 1, 2000, fund balances/net assets as previously reported to reflect the prior year's effect of adopting these new accounting principles. The restatements to the beginning net assets are as follows:

	Beginning Fund Balance	Adjustments	Restated Fund Balance Beginning of Year	Adjustments	Net Assets Beginning of Year
<u>Governmental Activities</u>	\$2,628,345	\$2,700,220	\$5,328,565	\$28,521,430	\$33,849,995
<u>Business-Type Activities</u>					
Sanitation Enterprise Fund	154,326	n/a	n/a	58,562	212,888
Sewer Enterprise Fund	105,250	n/a	n/a	7,067,528	7,172,778
Water Enterprise Fund	633,276	n/a	n/a	4,475,417	5,108,693

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2000, the Police Pension and Fire Pension special revenue funds had deficit fund balances of \$16,484 and \$3,236. The General Fund provides transfers to cover deficit balances; however, this is done with cash is needed rather than when accruals occur.

B. Compliance

The General Bond Retirement debt service fund had appropriations in excess of estimated resources plus available balances, in the amount of \$562,212, for the year ended December 31, 2000.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The following accounts had expenditures/expenses in excess of appropriations for the year ended December 31, 2000.

	<u>Appropriations</u>	<u>Expenditures/ Expenses</u>	<u>Excess</u>
General Fund			
Council/Personal Services	\$72,254	\$84,332	\$12,078
Council/Contractual Services	4,500	7,071	2,571
Council/Materials and Supplies	150	5,775	5,625
Mayor/Contractual Services	3,000	3,870	870
Mayor/Materials and Supplies	200	3,409	3,209
City Administrator/Personal Services	92,815	94,869	2,054
City Administrator/Contractual Services	0	1,678	1,678
City Administrator/Materials and Supplies	5,501	11,231	5,730
Planning and Zoning/Materials and Supplies	157	1,928	1,771
City Hall/Contractual Services	0	44,877	44,877
City Hall/Materials and Supplies	275	10,750	10,475
Finance/Contractual Services	0	12,000	12,000
Miscellaneous Services/Contractual Services	28,942	171,869	142,927
Fire Department/Personal Services	41,100	1,718,586	1,677,486
Fire Department/Contractual Services	0	66,208	66,208
Fire Department/Materials and Supplies	4,850	31,265	26,415
Fire Department/Capital Outlay	72,022	252,447	180,425
Other Security of Persons and Property/ Contractual Services	75,565	170,961	95,396
Buildings and Grounds/Contractual Services	0	27,302	27,302
Buildings and Grounds/Capital Outlay	78,000	194,634	116,634
Principal Retirement	0	325,000	325,000
Interest and Fiscal Charges	0	11,694	11,694
Special Revenue Funds			
Police Pension			
Security of Persons and Property-Police/ Personal Services	79,500	91,148	11,648
Security of Persons and Property-Police/ Other	1,200	1,343	143

(continued)

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

	<u>Appropriations</u>	<u>Expenditures/ Expenses</u>	<u>Excess</u>
Special Revenue Funds (continued)			
Fire Pension			
Security of Persons and Property-Fire/ Other	\$1,200	\$1,400	\$200
Street Construction and Repair			
Transportation/Personal Services	399,880	456,730	56,850
Transportation/Materials and Supplies	146,806	163,574	16,768
Transportation/Capital Outlay	165,678	202,647	36,969
Municipal Court Computer			
Other Security of Persons and Property/ Contractual Services	17,155	44,710	27,555
Capital Projects Fund			
Capital Improvements			
Capital Outlay	3,143,785	3,401,374	257,589
Enterprise Fund			
Water Fund			
Capital Outlay	462,947	521,729	58,782

Several of the violations were a result in the change of the legal level of control during the year.

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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

The adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund are as follows:

Net Change in Fund Balance	
GAAP Basis	\$442,567
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 1999, Received in Cash 2000	943,606
Accrued 2000, Not Yet Received in Cash	(941,511)
Expenditure Accruals:	
Accrued 1999, Paid in Cash 2000	(374,576)
Accrued 2000, Not Yet Paid in Cash	340,199
Cash Adjustments:	
Unrecorded Activity 1999	1,117
Unrecorded Activity 2000	(860)
Prepaid Items	(49,780)
Advances Out	(476,366)
Lease Principal Retirement	17,106
Encumbrances Outstanding at Year End (Budget Basis)	(431,889)
Budget Basis	<u><u>(\$530,387)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that City Council has identified as not required for use within the current two 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.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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.

At year end, the City had \$4,171 in undeposited cash on hand which is included on the statement of net assets as part of "Equity in Pooled Cash and Cash Equivalents". The City had \$7,479 in cash and cash equivalents held by Union County. This reflects flow through grant money that the City cannot classify by risk under GASB Statement No. 3.

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 year end, the carrying amount of the City's deposits was \$(83,570) and the bank balance was \$161,292. Of the bank balance, \$132,481 was covered by federal depository insurance and \$28,811 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 1	Category 3	Carrying Value	Fair Value
Mutual Funds	\$0	\$0	\$1,785,211	\$1,785,211
Repurchase Agreements	0	2,293,626	2,293,626	2,294,225
City of Marysville Bonds	25,000	0	25,000	25,000
STAR Ohio	0	0	5,665,188	5,665,188
Total	\$25,000	\$2,293,626	\$9,769,025	\$9,769,624

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$9,697,105	\$0
Cash on Hand	(4,171)	0
Cash with Union County	(7,479)	0
Investments:		
Mutual Funds	(1,785,211)	1,785,211
Repurchase Agreements	(2,293,626)	2,293,626
City of Marysville Bonds	(25,000)	25,000
STAR Ohio	(5,665,188)	5,665,188
GASB Statement No. 3	(\$83,570)	\$9,769,025

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2000 represent the collection of 1999 taxes. For 2000, real property taxes were levied after October 1, 2000, on the assessed values as of January 1, 2000, the lien date. These taxes will be collected in and are intended to finance 2001 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1995. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes for 2000 were levied after October 1, 2000, on the assessed values as of December 31, 1999. These taxes will be collected in and are intended to finance 2001 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2000 (other than public utility property) represent the collection of 2000 taxes. For 2000, tangible personal property taxes were levied after October 1, 1999, on the true value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 7 - PROPERTY TAXES (continued)

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Marysville. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2000, and for which there an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2000 operations.

The full tax rate for all City operations the year ended December 31, 2000, was \$4.50 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2000 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$144,410,160
Commercial/Industrial	69,567,060
Public Utility Real	77,560
Public Utility Personal	12,982,480
Tangible Personal	64,445,660
Total Assessed Value	\$291,482,920

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. 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 on a monthly or quarterly basis depending on the amount being withheld. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenues and expenditures for collecting, administering, and enforcing the tax are recorded in the General Fund. Filing is required and returns are due by April 15.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2000, consisted of taxes; accounts (billings for user charged services, including unbilled utility services); special assessments; interfund; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 9 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Estate Tax	\$140,380
State of Ohio	86,070
Local Government	199,520
Union County	60,081
DARE Grant	10,714
EMS Grant	940
Total General Fund	497,705
Special Revenue Funds	
Police Pension	
State of Ohio	3,715
Fire Pension	
State of Ohio	3,715
Street Construction and Repair	
Gas Tax	138,362
Motor Vehicle License Tax	51,483
State of Ohio	1,449
Union County	6,626
Mandatory Drug Fine	
Municipal Court	420
DUI Alcohol Education and Enforcement	
Municipal Court	50
Indigent Driver Alcohol Treatment	
Ohio Department of Drug and Alcohol Services	5,050
State Highway Improvement	
Gas Tax	10,626
Motor Vehicle License Tax	4,174
COPS Grant	
COPS Grant	50,000

(continued)

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 9 - RECEIVABLES (continued)

	Amount
Special Revenue Funds (continued)	
Municipal Court Computerization	
Municipal Court	\$2,802
Municipal Court Special Projects	
Municipal Court	4,676
Total Special Revenue Funds	283,148
Total Governmental Activities	780,853
Enterprise Funds	
Sanitation	
State of Ohio	933
Sewer	
State of Ohio	2,528
Union County	13,411
Water	
State of Ohio	3,759
Union County	24,802
Total Business-Type Activities	45,433
Total All Funds	\$826,286

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2000, was as follows:

	Balance at 12/31/99	Additions	Reductions	Balance at 12/31/00
Governmental Activities				
Land	\$677,539	\$0	\$0	\$677,539
Depreciable Capital Assets				
Buildings	3,138,525	49,784	0	3,188,309
Improvements Other Than Buildings	825,385	44,218	0	869,603

(continued)

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 10 - CAPITAL ASSETS (continued)

	Balance at 12/31/99	Additions	Reductions	Balance at 12/31/00
Governmental Activities (continued)				
Computers and Computer Equipment	\$15,469	\$8,156	\$0	\$23,625
Furniture and Equipment	551,187	228,050	0	779,237
Vehicles	1,826,953	126,209	0	1,953,162
Infrastructure				
Bridges	310,428	0	0	310,428
Roads	61,381,502	701,452	0	62,082,954
Storm Sewers	2,661,745	247,552	0	2,909,297
Other	971,598	359,418	0	1,331,016
Construction in Progress	0	482,713	0	482,713
Total Depreciable Capital Assets	<u>71,682,792</u>	<u>2,247,552</u>	<u>0</u>	<u>73,930,344</u>
Total Capital Assets at Historical Cost	<u>72,360,331</u>	<u>2,247,552</u>	<u>0</u>	<u>74,607,883</u>
Less Accumulated Depreciation				
Buildings	(977,310)	(76,342)	0	(1,053,652)
Improvements Other Than Buildings	(383,835)	(35,643)	0	(419,478)
Computers and Computer Equipment	(11,011)	(2,363)	0	(13,374)
Furniture and Equipment	(230,526)	(63,205)	0	(293,731)
Vehicles	(865,068)	(149,661)	0	(1,014,729)
Infrastructure				
Bridges	(52,640)	(7,762)	0	(60,402)
Roads	(33,109,968)	(1,203,583)	0	(34,313,551)
Storm Sewers	(215,255)	(69,638)	0	(284,893)
Other	(47,535)	(28,783)	0	(76,318)
Total Accumulated Depreciation	<u>(35,893,148)</u>	<u>(1,636,980)</u>	<u>0</u>	<u>(37,530,128)</u>
Depreciable Capital Assets, Net	<u>35,789,644</u>	<u>610,572</u>	<u>0</u>	<u>36,400,216</u>
Governmental Activities Capital Assets, Net	<u>\$36,467,183</u>	<u>\$610,572</u>	<u>\$0</u>	<u>\$37,077,755</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 10 - CAPITAL ASSETS (continued)

	Balance at 12/31/99	Additions	Reductions	Balance at 12/31/00
Business-Type Activities				
Land	\$1,651,000	\$17,500	\$0	\$1,668,500
Depreciable Capital Assets				
Buildings	7,236,048	2,521,925	0	9,757,973
Furniture and Equipment	224,922	206,456	0	431,378
Vehicles	644,966	98,316	0	743,282
Infrastructure				
Sewer Lines	10,788,473	1,349,984	0	12,138,457
Water Lines	21,160,734	553,217	0	21,713,951
Total Depreciable Capital Assets at Historical Cost	40,055,143	4,729,898	0	44,785,041
Less Accumulated Depreciation				
Buildings	(2,577,605)	(236,888)	0	(2,814,493)
Furniture and Equipment	(180,934)	(37,024)	0	(217,958)
Vehicles	(329,254)	(48,517)	0	(377,771)
Infrastructure				
Sewer Lines	(2,165,417)	(282,900)	0	(2,448,317)
Water Lines	(2,996,580)	(535,933)	0	(3,532,513)
Total Accumulated Depreciation	(8,249,790)	(1,141,262)	0	(9,391,052)
Depreciable Capital Assets, Net	31,805,353	3,588,636	0	35,393,989
Business-Type Activities				
Capital Assets, Net	\$33,456,353	\$3,606,136	\$0	\$37,062,489

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$64,372
Security of Persons and Property	
Police	40,850
Fire	78,870
Other	16,127
Public Health	4,982
Transportation	1,372,012
Community Environment	12,510
Leisure Time Activities	47,257
Total Depreciation Expense	<u>\$1,636,980</u>

NOTE 11 - RESTRICTED ASSETS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$3,459,925	\$1,608,035
Cash and Cash Equivalents with Fiscal Agent	0	1,785,211
Accounts Receivable	407	0
Due from Other Governments	283,148	0
Prepaid Items	4,201	0
Interfund Balances	6,808	0
Property Taxes Receivable	157,766	0
Special Assessments Receivable	417,244	0
Total Restricted Assets	<u>4,329,499</u>	<u>\$3,393,246</u>
Less Liabilities Payable from Restricted Assets	905,398	1,785,211
Restricted Net Assets	<u>\$3,424,101</u>	<u>\$1,608,035</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 12 - INTERFUND ASSETS/LIABILITIES

Interfund receivable/payables at December 31, 2000, were as follows:

	Interfund	
	Receivable	Payable
General Fund	\$476,396	\$6,808
Special Revenue Funds		
Police Pension	3,404	9,080
Fire Pension	3,404	15
Total Special Revenue Funds	6,808	9,095
Capital Projects Fund		
Capital Improvements	0	44,026
Total Governmental Activities	483,204	59,929
Enterprise Fund		
Sewer	0	423,275
Total All Funds	\$483,204	\$483,204

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted for the following insurance coverages:

Type of Coverage	Coverage	Deductible
Buildings	\$8,795,091	\$1,000
Personal Property	3,827,587	1,000
Liability	2,000,000	0
Wrongful Acts	2,000,000	1,000
Law Enforcement	2,000,000	2,000
Automobile	2,000,000	0
Bond	Unlimited	0
Vehicle	2,000,000	0
Electronic Data Processing	25,000 - 100,000	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.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 14 - CONTRACTUAL COMMITMENTS

At December 31, 2000, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Blake Rafield & Associates	Public Service Center	\$79,740
Burgess and Niple	Various	36,560
Complete General Construction	North Trunk Sewer	67,709
Knight Electric	Headworks	154,821
Performance Excavating	Headworks	178,232
R. B. Jergens	Timber Trails Water and Sewer Lines	553,517
R. D. Zande	Various	10,553
URS Treiner Woodward	Headworks	8,000

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. The System provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 10.84 percent; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for 2000 represents a temporary rate reduction from the 1999 contribution rate of 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the System for the years ended December 31, 2000, and 1999 were \$216,954 and \$266,094, respectively; 66 percent has been contributed for 2000 and 100 percent has been contributed for 1999. The unpaid contribution for 2000, in the amount of \$72,917, is recorded as a liability.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (the "Fund"), a cost-sharing multiple employer defined benefit pension plan administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police (12.25 percent was the portion used to fund pension obligations); and 24 percent for firefighters (16.75 percent was the portion used to fund pension obligations). Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2000, and 1999 were \$327,641 and \$284,387, respectively; 60 percent has been contributed for 2000 and 100 percent has been contributed for 1999. The unpaid contribution for 2000, in the amount of \$130,461, is recorded as a liability.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion used to fund health care for 2000. In 1999, the employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion used to fund health care.

Benefits are advance funded using the entry age normal cost method (For 2000, the System returned to an actuarially prefunded disclosure because this provides a better presentation of the System's actual funding methodology. In prior years, the disclosure was based on a pay-as-you-go basis.). Significant actuarial assumptions include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually, and an additional increase in total payroll of .54 percent to 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

OPB are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 1999, the total number of benefit recipients eligible for OPB through the System was 401,339. As of December 31, 1999, the actuarial value of net assets available for future OPB payments were \$10,085.5 million. The actuarially accrued liability and the unfunded actuarial liability were \$12,473.6 million and \$1,668.1 million, respectively. The City's actual contributions for 2000 which were used to fund OPB were \$142,646.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7.25 percent was the portion used to fund health care for 2000. The portion used to fund health care was 7 percent in 1999. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters. The City's actual contributions for 2000 that were used to fund postemployment benefits were \$80,629 for police and \$82,848 for firefighters. The Fund's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 17 - COMPENSATED ABSENCES

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

City employees earn vacation at various rates depending upon length of service and standard work week. Current policy permits vacation to be carried forward to the following year with some limitations. Employees are paid for 100 percent of accrued but unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Current policy permits sick leave to be accumulated without limit. Non-union employees earn sick leave at a rate of four and six-tenths hours for every eighty hours worked or six and nine-tenths hours for twenty-four shifts. Upon retirement non-union employees shall receive one-fourth of accrued but unused sick leave up to two hundred forty hours.

Union employees earn sick leave at various rates depending on the union. Upon retirement certain police employees receive payment for one-third of accrued but unused sick leave without limit. Certain fire employees receive payment for one-fourth of accrued but unused sick leave up to four hundred eighty hours.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 18 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2000, were as follows:

	Interest Rate	Balance December 31, 1999	Additions	Reductions	Balance December 31, 2000
<u>Governmental Activities</u>					
1999 Various Improvement	4.21%	\$300,000	\$0	\$300,000	\$0
1999 Various Improvement	3.46	1,905,000	0	1,905,000	0
1999 Various Improvement	4.50	700,000	700,000	1,400,000	0
Grove Street Improvement	3.59	1,150,000	0	1,150,000	0
Industrial Park Infrastructure	3.88	1,100,000	0	1,100,000	0
2000 Various Improvement	4.47	385,000	385,000	385,000	385,000
2000 Various Improvement	4.46	325,000	325,000	650,000	0
2000 Various Improvement	4.50	0	3,120,000	3,120,000	0
2000 Various Improvement	5.05	1,850,000	2,950,000	4,800,000	0
2000 Various Improvement	4.66	0	969,430	0	969,430
2000 Vehicle and Equipment	4.61	0	355,700	0	355,700
2000 Vehicle and Equipment	4.58	0	30,000	0	30,000
Total Governmental Activities		<u>\$7,715,000</u>	<u>\$8,835,130</u>	<u>\$14,810,000</u>	<u>\$1,740,130</u>
<u>Business-Type Activities</u>					
Sewer Fund					
1999 Various Improvement	3.46%	\$415,000	\$0	\$415,000	\$0
1999 Various Improvement	4.21	300,000	0	300,000	0
1999 Various Improvement	4.50	1,625,000	1,625,000	3,250,000	0
2000 Various Improvement	4.46	2,690,000	2,690,000	5,380,000	0
2000 Various Improvement	5.05	600,000	400,000	1,000,000	0
2000 Vehicle and Equipment	4.58	0	320,000	0	320,000
2000 Vehicle and Equipment	5.26	0	200,000	0	200,000
2000 Sewer System	4.66	0	4,680,570	0	4,680,570
Total Sewer Fund		<u>5,630,000</u>	<u>9,915,570</u>	<u>10,345,000</u>	<u>5,200,570</u>
Water Fund					
2000 Various Improvement	4.47	1,300,000	1,300,000	1,300,000	1,300,000
2000 Various Improvement	4.46	275,000	275,000	550,000	0
2000 Vehicle and Equipment	4.61	0	159,300	0	159,300
2000 Reservoir Acquisition	5.01	1,645,000	1,645,000	1,645,000	1,645,000
2000 Sewer System	4.66	0	65,000	0	65,000
Total Water Fund		<u>3,220,000</u>	<u>3,444,300</u>	<u>3,495,000</u>	<u>3,169,300</u>
Total Business-Type Activities		<u>\$8,850,000</u>	<u>\$13,359,870</u>	<u>\$13,840,000</u>	<u>\$8,369,870</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 18 - NOTES PAYABLE (continued)

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

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2000, was as follows:

	Balance December 31, 1999	Additions	Reductions	Balance December 31, 2000	Amounts Due in One Year
<u>Governmental Activities</u>					
General Obligation Bonds					
1986 Building Improvement - 7.38%	\$205,000	\$0	\$30,000	\$175,000	\$25,000
2000 Various Improvement - 5.0-5.40%	0	9,990,000	0	9,990,000	260,000
Total General Obligation Bonds	<u>205,000</u>	<u>9,990,000</u>	<u>30,000</u>	<u>10,165,000</u>	<u>285,000</u>
Special Assessment Bonds					
1995 Jordan Assessment - 6.50%	30,000	0	5,000	25,000	5,000
Other Long-Term Obligations					
Compensated Absences Payable	275,717	286,875	119,704	442,888	250,130
Capital Leases Payable	41,984	34,962	17,122	59,824	19,417
Total Other Long-Term Obligations	<u>317,701</u>	<u>321,837</u>	<u>136,826</u>	<u>502,712</u>	<u>269,547</u>
Total Governmental Activities	<u>\$552,701</u>	<u>\$10,311,837</u>	<u>\$171,826</u>	<u>\$10,692,712</u>	<u>\$559,547</u>
<u>Business-Type Activities</u>					
General Obligation Bonds					
1992 Sewer System Improvement - 6.70-7.15%	\$1,040,000	\$0	\$60,000	\$980,000	\$60,000
1994 Various Improvement - 4.50-5.55%	3,705,000	0	190,000	3,515,000	195,000
Total General Obligation Bonds	<u>4,745,000</u>	<u>0</u>	<u>250,000</u>	<u>4,495,000</u>	<u>255,000</u>
Mortgage Revenue Bonds					
1988 Sewer System First Mortgage Revenue - 7.85%	645,000	0	55,000	590,000	55,000
1992 Sewer System First Mortgage Revenue Refunding - 6.15-6.50%	855,000	0	195,000	660,000	205,000
1993 Water System Mortgage Revenue Refunding - 4.50-5.35%	10,855,000	0	280,000	10,575,000	290,000
Total Mortgage Revenue Bonds	<u>12,355,000</u>	<u>0</u>	<u>530,000</u>	<u>11,825,000</u>	<u>550,000</u>
Other Long-Term Obligations					
Compensated Absences Payable	74,285	80,464	35,444	119,305	85,608
Capital Leases Payable	11,530	4,325	4,677	11,178	5,276
Total Other Long-Term Obligations	<u>85,815</u>	<u>84,789</u>	<u>40,121</u>	<u>130,483</u>	<u>90,884</u>
Total Business-Type Activities	<u>\$17,185,815</u>	<u>\$84,789</u>	<u>\$820,121</u>	<u>\$16,450,483</u>	<u>\$895,884</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Governmental Activities General Obligation Bonds

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

2000 Various Improvement

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

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

Special Assessment Bonds

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

Compensated Absences Payable

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

Capital Leases Payable

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

Business-Type Activities General Obligation Bonds

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

1992 Sewer System Improvement

The Sewer System Improvement general obligation bonds include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements and there are optional redemption provisions for the serial bonds. The term bonds mature on December 1, 2002, through December 1, 2011, in the amount of \$920,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2002, are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2001, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2001 through November 30, 2002	101 percent
December 1, 2002 and thereafter	100 percent

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

1994 Various Improvement

The Various Improvement general obligation bonds include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements and there are optional redemption provisions for the serial bonds. The term bonds mature on December 1, 2007, through December 1, 2013, in the amount of \$2,185,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2003, are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2003, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2003 through November 30, 2004	101 percent
December 1, 2004 and thereafter	100 percent

Mortgage Revenue Bonds

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

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

Restricted Assets Held by City	
Sewer Reserve	\$794,009
Sewer Construction	174,801
Water Replacement and Improvement	413,679
Water System Reserve	225,546

1988 Sewer System First Mortgage Revenue Bonds

The Sewer System First Mortgage Revenue mortgage revenue bonds are term bonds which have annual mandatory sinking fund redemption requirements. The bonds mature on February 15, 2001, through February 15, 2008, in the amount of \$590,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. Restricted assets relating to the sewer mortgage revenue bonds at December 31, 2000, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$64,201
Mortgage Revenue Bond Future Debt Service	101,155
Mortgage Revenue Bond Replacement and Improvement	302,928

1992 Sewer System First Mortgage Revenue Refunding Bonds

The Sewer System Mortgage Revenue Refunding mortgage revenue bonds are not subject to redemption either optional or mandatory prior to stated maturity.

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. Restricted assets relating to the sewer mortgage revenue bonds at December 31, 2000, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$191,332
Mortgage Revenue Bond Future Debt Service	177,911

The Sewer System refunding bonds defeased in-substance \$2,020,902 in sewer system mortgage revenue bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. As of December 31, 2000, this debt had been fully retired.

1993 Water System Mortgage Revenue Refunding Bonds

The Water System Mortgage Revenue Refunding mortgage revenue bonds include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements and there are optional redemption provisions for the serial bonds. The term bonds mature on December 1, 2013, through December 1, 2021, in the amount of \$7,810,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2003, are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2003, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2003 through November 30, 2004	101 percent
December 1, 2004 and thereafter	100 percent

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. Restricted assets relating to the water mortgage revenue bonds at December 31, 2000, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$100,249
Mortgage Revenue Bond Future Debt Service	847,435

The Water System refunding bonds defeased in-substance \$11,660,718 in water system mortgage revenue bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2000, \$9,535,000 of this debt was still outstanding.

The City's overall legal debt margin was \$19,320,394 at December 31, 2000.

Principal and interest requirements to retire general obligation bonds, special assessment bonds, and mortgage revenue bonds at December 31, 2000, were as follows:

Year	Governmental Activities General Obligation Bonds				Business-Type Activities General Obligation Bonds			
	1986 Building Improvement		2000 Various Improvement		1992 Sewer System Improvement		1994 Various Improvement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$25,000	\$12,906	\$260,000	\$555,782	\$60,000	\$69,800	\$195,000	\$187,668
2002	30,000	11,063	320,000	500,030	65,000	65,780	205,000	178,502
2003	30,000	8,850	335,000	484,030	70,000	61,132	215,000	168,663
2004	30,000	6,638	350,000	467,280	75,000	56,128	225,000	158,127
2005	30,000	4,425	370,000	449,780	80,000	50,765	240,000	146,878
2006 - 2010	30,000	2,213	2,130,000	1,953,900	505,000	158,372	1,400,000	528,012
2011 - 2015	0	0	2,720,000	1,365,080	125,000	8,938	1,035,000	117,106
2016 - 2020	0	0	3,505,000	583,925	0	0	0	0
Totals	<u>\$175,000</u>	<u>\$46,095</u>	<u>\$9,990,000</u>	<u>\$6,359,807</u>	<u>\$980,000</u>	<u>\$470,915</u>	<u>\$3,515,000</u>	<u>\$1,484,956</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Governmental Activities Special Assessment Bonds		
1995 Jordan Assessment		
Year	Principal	Interest
2001	\$5,000	\$1,625
2002	5,000	1,300
2003	5,000	975
2004	5,000	650
2005	5,000	325
Totals	<u>\$25,000</u>	<u>\$4,875</u>

Business-Type Activities Mortgage Revenue Bonds						
Year	1988 Sewer System First Mortgage Revenue		1992 Sewer System First Mortgage Revenue Refunding		1993 Water System Mortgage Revenue Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$55,000	\$46,315	\$205,000	\$20,790	\$290,000	\$554,658
2002	60,000	41,998	220,000	14,560	305,000	541,172
2003	65,000	37,287	235,000	7,638	320,000	526,686
2004	70,000	32,185	0	0	335,000	511,325
2005	75,000	26,690	0	0	350,000	494,910
2006 - 2010	265,000	42,813	0	0	2,050,000	2,180,910
2011 - 2015	0	0	0	0	2,660,000	1,566,875
2016 - 2020	0	0	0	0	3,460,000	758,500
2021	0	0	0	0	805,000	40,250
Totals	<u>\$590,000</u>	<u>\$227,288</u>	<u>\$660,000</u>	<u>\$42,988</u>	<u>\$10,575,000</u>	<u>\$7,175,286</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the governmental funds. Capital lease payments are reflected as a reduction of the liability for the enterprise funds. Assets, consisting of equipment, have been capitalized, in the amount of \$103,190 in the governmental funds and \$24,447 in the enterprise funds. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in 2000 were \$17,122 and \$4,677, in governmental and enterprise funds, respectively.

	Governmental Activities	Business-Type Activities
Property under Capital Lease	\$103,190	\$24,447
Less Accumulated Depreciation	(44,737)	(13,778)
Total December 31, 2000	\$58,453	\$10,669

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2000.

Year	Governmental Activities	Business-Type Activities
2001	\$23,339	\$6,409
2002	18,500	4,550
2003	10,642	1,182
2004	9,917	456
2005	4,167	0
Total	66,565	12,597
Less Amount Representing Interest	(6,741)	(1,419)
Present Value of Net Minimum Lease Payments	\$59,824	\$11,178

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

LUC Regional Planning Commission

The City of Marysville participates in the LUC Regional Planning Commission (the Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Champaign, Logan, and Union Counties, and the Cities of Bellefontaine, Marysville, and Urbana. Each member's control over the operation of the Commission is limited to its representation on the Board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the entities involved.

Marysville/Union County Joint Recreation District

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

Union County Community Improvement Corporation

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

NOTE 22 - CONTINGENT LIABILITIES

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

For the period January 1, 2000, to December 31, 2000, the City received state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2000

NOTE 23 - SUBSEQUENT EVENTS

On January 25, 2001, the City issued general obligation notes, in the amount of \$2,945,000, to retire notes previously issued, in the amount of \$3,330,000, for various improvements. The notes have an interest rate of 3.51 percent and mature on January 24, 2002.

On March 15, 2001, the City issued general obligation notes, in the amount of \$1,065,000, to retire notes previously issued, in the amount of \$1,065,000, for various improvements. The notes have an interest rate of 3.66 percent and mature on March 14, 2002.

On November 15, 2001, the City issued general obligation notes, in the amount of \$6,815,000, to retire notes previously issued, in the amount of \$5,715,000, for various improvements as well as providing for some additional various improvements. The notes have an interest rate of 2.34 percent and mature on November 14, 2002.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 basic financial statements of the City of Marysville, Union County, Ohio (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated December 19, 2001, wherein we noted the City prepared basic financial statements in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, contracts and grants, 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 2000-20680-001 through 2000-20680-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated December 19, 2001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 December 19, 2001.

City of Marysville
Union County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, 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

December 19, 2001

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000**

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

Finding Number	2000-20680-001
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Ohio Rev. Code Section 5705.39 states the total appropriation from each fund should not exceed the total estimated resources.

The City had appropriations exceeding total estimated resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriation</u>	<u>Variance</u>
Debt Service Fund	\$15,092,035	\$15,684,247	(\$592,212)
Water Revenue Fund	\$5,357,991	\$6,281,427	(\$923,436)

We recommend the City monitor appropriations to ensure they do not exceed estimated resources.

Finding Number	2000-20680-002
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Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 state that money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority and transfers from funds, other than the general fund, can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the Council members. Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:

- a specific statement that the transaction is an advance of cash, and
- an indication of the money (fund) from which it is expected that repayment will be made.

The City does not approve transfers or advances by a formal resolution for any funds.

We recommend that City Council retroactively approve, by formal resolution, all transfers and advances that occurred in 2000. In the future, City Council should approve all transfers and advances prior to them being made by the finance department.

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000
(Continued)**

Finding Number	2000-20680-003
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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 City had material expenditures in excess of appropriations in the following funds at the legal level of control:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund			
City Hall/contractual services	\$0.00	\$44,877	(\$44,877)
Miscellaneous Services/Contractual Services	28,942	171,869	(142,927)
Fire Department/personal services	41,100	1,718,586	(1,677,486)
Fire Department/Contractual services	0	66,208	(66,208)
Buildings and Grounds/Capital Outlay	78,000	194,634	(116,634)
Principal Retirement	0	325,000	(325,000)
Buildings and Grounds/Contractual services	0	27,302	(27,302)
Capital Projects			
Capital Improvement Fund			
Capital Outlay	\$3,143,785	\$3,401,374	(\$257,589)

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
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 of the United States of America. 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 the generally accepted accounting principles of the United States of America.	Corrected	
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 funds have 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.	Corrected	
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.	Not Corrected	Have reissued in current year schedule of findings

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000
(Continued)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1999-20680-04	<p>Ohio Rev. Code Section 5705.3 allows 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.</p> <p>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.</p> <p>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.</p> <p>The City had large budgetary variances in all funds when estimated receipts were compared to actual receipts. The City's failure to increase its certificate of estimated resources resulted in appropriations exceeding the amounts available for expenditures.</p>	Not Corrected	Based on materiality, have placed in current year management letter
1999-20680-05	Ohio Rev. Code Section 5705.41(B) prohibits a political subdivision from making an expenditure unless it has been appropriated. Total expenditures exceed total appropriations in various legal levels of control.	Not Corrected	Have reissued in current year Schedule of Findings

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000
(Continued)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1999-20680-06	The City lacked internal controls requiring the Council to monitor controls over revenue collection, expenditure processing, and financial reporting, to identify unusual fluctuations in the City's revenues, expenditures, and outstanding encumbrances.	Corrected	



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OFFICE OF THE AUDITOR

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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
JANUARY 15, 2002**