

City of Marysville

Union County

Regular Audit

January 1, 2007 through December 31, 2007

BALESTRA, HARR & SCHERER CPAs, INC.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Marysville, Union County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2008

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City of Marysville
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

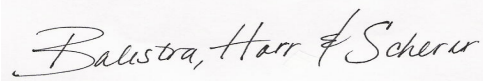
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Coleman's Crossing TIF, and City Gate TIF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 22 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues."

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
July 18, 2008

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$4,850,881. Net assets of governmental activities decreased \$124,707, which represents a 0.41 percent decrease from 2006. Net assets of business-type activities increased \$4,975,588 or 14.37 percent from 2006.
- Total assets of governmental activities increased \$312,634, which represents a 0.55 percent increase from 2006. Total liabilities of governmental activities increased \$437,341, or 1.66 percent. Both increases are attributable to increases in debt and borrowed resources for economic development and street infrastructure improvements.
- Total assets of business-type activities increased \$88,806,101, which represents a 62.46 percent increase from 2006. Total liabilities of business-type activities increased \$83,830,513, or 77.94 percent. Both increases are attributable primarily to increases in debt for the continued construction costs of a new sanitary sewer plant, trunk interceptor sewer, and transmission lines from the existing plant.
- In total, cash and cash equivalents increased \$30,046,041 or 30.72 percent. Total cash and cash equivalents of governmental activities decreased \$2,015,744 or 17.35 percent, while cash and cash equivalents in business-type activities increased \$32,061,785 or 37.19 percent. The decrease in governmental activities cash and cash equivalents was due to completion of several major capital improvement projects financed through Tax Increment Financing debt. The increase in business type activities cash and cash equivalents was again due to borrowed monies to be used for capital improvements which were not expended prior to fiscal year-end.
- Overall, the book value of capital assets increased by \$57,574,570. Total capital assets from governmental activities increased by \$2,009,982 or 4.93 percent. Capital assets from business-type activities increased by \$55,564,588 or 102.10 percent. These increases were due to increased investment in capital assets including approximately \$1,000,000 in street repairs and improvements and construction in progress on the Water Reclamation Facility (wastewater treatment plant).

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.

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 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Marysville's Most Significant Funds

Fund Financial Statements

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

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

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

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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 2007 and 2006.

	Net Assets (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006
Assets						
Current and Other Assets	\$14,575.8	\$16,273.1	\$121,001.5	\$87,760.0	\$135,577.3	\$104,033.1
Capital Assets, Net	42,791.3	40,781.4	109,987.6	54,423.0	152,778.9	95,204.4
Total Assets	57,367.1	57,054.5	230,989.1	142,183.0	288,356.2	199,237.5
Liabilities						
Current and Other Liabilities	(17,981.6)	(17,625.0)	(37,016.9)	(5,345.6)	(54,998.5)	(22,970.6)
Long-Term Liabilities						
Due within One Year	(1,013.8)	(849.8)	(1,483.2)	(1,320.7)	(2,497.0)	(2,170.5)
Due in More Than One Year	(7,765.7)	(7,848.9)	(152,890.8)	(100,894.0)	(160,656.5)	(108,742.9)
Total Liabilities	(26,761.1)	(26,323.7)	(191,390.9)	(107,560.3)	(218,152.0)	(133,884.0)
Net Assets						
Invested in Capital Assets Net of Related Debt	19,705.5	21,551.7	23,197.8	12,901.8	42,903.3	34,453.5
Restricted for:						
Capital Projects	1,351.2	3,827.3	0.0	0.0	1,351.2	3,827.3
Debt Service	69.7	34.6	0.0	0.0	69.7	34.6
Other Purposes	2,937.9	2,892.7	0.0	0.0	2,937.9	2,892.7
Sewer Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Sewer Replacement and Improvement	0.0	0.0	79,794.4	72,674.0	79,794.4	72,674.0
Water Replacement and Improvement	0.0	0.0	26,612.3	4,377.5	26,612.3	4,377.5
Unrestricted	6,541.7	2,424.5	(90,006.3)	(55,330.6)	(83,464.6)	(52,906.1)
Total Net Assets	\$30,606.0	\$30,730.8	\$39,598.2	\$34,622.7	\$70,204.2	\$65,353.5

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

Total governmental activity assets increased \$312,634. Equity in pooled cash and cash equivalents for governmental activities decreased \$2,015,744. The decrease in cash and equivalents was due to completion of the City Gate development which was financed on 2006 with the majority of construction occurring in 2007.

Total assets of the City's business type activities increased significantly (\$88,806,101) with increased growth and development, debt issued for continued sewer improvements, and capacity fee increases enacted during 2006 and 2007. The largest increases were in Capital Assets (\$55,564,588) and Cash and Cash Equivalents (\$32,061,785). Both increases are related to the ongoing sewer plant improvements and construction of a new Water Reclamation Facility (wastewater treatment plant), pump station, and transmission lines.

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Table 2 shows the changes in net assets for the year ended December 31, 2007.

Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006
Revenues						
Program Revenues						
Charges for Services	\$1,998.4	\$2,357.4	\$16,657.4	\$14,281.9	\$18,655.8	\$16,639.3
Operating Grants, Contributions, and Interest	1,082.9	1,038.3	0.0	0.0	1,082.9	1,038.3
Capital Grants and Contributions	447.8	158.8	707.4	600.0	1,155.2	758.8
General Revenues						
Property Taxes	2,238.1	1,776.5	0.0	0.0	2,238.1	1,776.5
Municipal Income Taxes	8,053.8	7,298.7	0.0	0.0	8,053.8	7,298.7
Grants and Entitlements	588.9	570.9	0.0	0.0	588.9	570.9
Other	1,300.4	1,574.3	3,797.4	2,454.4	5,097.8	4,028.7
Total Revenues	15,710.3	14,774.9	21,162.2	17,336.3	36,872.5	32,111.2
Program Expenses						
General Government	2,520.1	2,184.5	0.0	0.0	2,520.1	2,184.5
Security of Persons and Property						
Police	3,116.8	3,046.4	0.0	0.0	3,116.8	3,046.4
Fire	3,270.8	2,971.4	0.0	0.0	3,270.8	2,971.4
Other	608.6	573.4	0.0	0.0	608.6	573.4
Public Health Services	524.2	486.2	0.0	0.0	524.2	486.2
Leisure Time Activities	372.6	394.3	0.0	0.0	372.6	394.3
Transportation	2,962.3	2,525.6	0.0	0.0	2,962.3	2,525.6
Community Environment	1,000.6	874.6	0.0	0.0	1,000.6	874.6
Interest and Fiscal Charges	1,459.0	1,002.9	0.0	0.0	1,459.0	1,002.9
Sanitation	0.0	0.0	1,161.0	1,124.5	1,161.0	1,124.5
Sewer	0.0	0.0	10,152.8	10,067.0	10,152.8	10,067.0
Water	0.0	0.0	4,499.1	3,633.3	4,499.1	3,633.3
Stormwater	0.0	0.0	373.8	263.0	373.8	263.0
Total Expenses	15,835.0	14,059.3	16,186.7	15,087.8	32,021.7	29,147.1
Increase (Decrease) in Net Assets	(124.7)	715.6	4,975.5	2,248.5	4,850.8	2,964.1
Net Assets Beginning of Year	30,730.8	30,015.2	34,622.7	32,374.2	65,353.5	62,389.4
Net Assets End of Year	\$30,606.0	\$30,730.8	\$39,598.2	\$34,622.7	\$70,204.2	\$65,353.5

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

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Governmental Activities

Several revenue sources fund governmental activities, with income taxes generally being the biggest contributor. The income tax rate of 1 percent was enacted in 1968. The income tax revenue for 2007 (accrual basis) was approximately \$8.05 million. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. With the combination of property tax, income tax and intergovernmental receipts comprising approximately 89 percent of all general revenues in the governmental activities, the City monitors each of these revenue sources very closely for fluctuations.

The City has historically experienced an increase in income tax collections of approximately 8 percent per year (cash receipts). On a cash basis, the City's income tax receipts increased approximately \$397,342 (5.31%) between 2006 and 2007. On an accrual basis the City's income tax receipts increased \$755,079 (10.35%) between 2006 and 2007.

Security of persons and property, general government, transportation, and water, and sewer services are the major activities of the City, comprising approximately 85 percent of total expenses.

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

Business-Type Activities

The City's business-type activities are its sanitation, sewer, water, and storm-water departments. The water and wastewater treatment plants provide services to a resident base in excess of 17,000. The City also provides wastewater treatment for the Village of Milford Center and several small unincorporated areas outside the City limits. The wastewater treatment plant generated operating revenues of \$8,200,823 and had operating expenses of \$3,658,332. The water plant generated operating revenues of \$6,917,492 and had operating expenses of \$3,434,377. The City's goal is to cover the costs of operations as well as building a cash balance in these funds equivalent to one-third of the department's annual operating budget. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds on the modified accrual basis of accounting had total revenues and other financing sources of \$40,296,545 and expenditures and other financing uses of \$42,316,973.

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 2007, the City amended its General Fund budget numerous times. All recommendations for a budget change come from the City Finance Director to City Council for review and approval. With the General Fund supporting many of the major activities such as the City's police and fire departments, as well as most general government activities, the General Fund is monitored closely to prevent possible revenue shortfalls or overspending by individual departments.

For the General Fund, original and final budgeted revenues were \$13,870,464. Original budgeted expenditures were \$15,023,681 and final budgeted expenditures were \$16,345,912.

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Capital Assets and Debt Administration

Capital Assets

Capital Assets at December 31, 2007
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006*	2007	2006
Land	\$1,272.9	\$1,084.7	\$4,142.2	\$4,142.2	\$5,415.1	\$5,226.9
Buildings	1,943.8	1,720.9	5,285.3	5,522.2	7,229.1	7,243.1
Improvements Other than Buildings	1,049.2	1,102.7	5,285.6	5,397.8	6,334.8	6,500.5
Computers and Computer Equipment	133.3	93.1	19.3	33.5	152.6	126.6
Furniture and Equipment	442.9	457.3	642.5	429.7	1,085.4	887.0
Vehicles	1,574.4	1,582.6	725.5	554.3	2,299.9	2,136.9
Infrastructure						
Bridges	119.9	123.9	0.0	0.0	119.9	123.9
Roads	22,045.3	22,408.6	0.0	0.0	22,045.3	22,408.6
Storm Sewer	2,134.5	2,207.9	0.0	0.0	2,134.5	2,207.9
Sewer Lines	0.0	0.0	9,761.8	10,132.8	9,761.8	10,132.8
Water Lines	0.0	0.0	16,018.8	16,609.2	16,018.8	16,609.2
Other	7,285.2	7,485.8	0.0	0.0	7,285.2	7,485.8
Construction in Progress	4,789.9	2,513.9	68,106.6	11,601.3	72,896.5	14,115.2
Totals	\$42,791.3	\$40,781.4	\$109,987.6	\$54,423.0	\$152,778.9	\$95,204.4

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

The increase noted in governmental funds was due primarily to construction projects tied to economic development and increased expenditures for upgrades to vehicles and equipment utilized throughout the City. The City established several Tax Increment Financing districts during 2005 and 2006 to generate economic development and provide a mechanism for infrastructure improvement. The increase seen in the business-type activities is due to construction costs for repairs and improvements in the sewer and water funds. During 2007 construction continued on a new wastewater treatment facility as well as construction of an up-ground reservoir. The City's new wastewater treatment facility is anticipated to be completed and operational by the end of 2008 with the sewer transmission lines and force main to be completed in early 2009 and the reservoir to be completed and operational in 2009 as well.

For more information on the City's capital assets, see Note 9 to the basic financial statements.

Debt

At December 31, 2007, the City of Marysville had approximately \$206.7 million in bonds, notes, claims, judgments, and compensated absences outstanding, \$46.09 million of which was due within one year.

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Capital Assets and Debt Administration (continued)

Debt (continued)

Outstanding Debt at December 31, 2007
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006
Notes	\$15,030.0	\$14,865.0	\$28,565.0	\$4,035.0	\$43,595.0	\$18,900.0
General Obligation Bonds	8,022.6	7,970.0	2,334.9	2,730.7	10,357.5	10,700.7
Mortgage Revenue Bonds	0.0	0.0	151,754.4	99,176.7	151,754.4	99,176.7
OPWC Loans	0.0	0.0	57.5	65.4	57.5	65.4
Compensated Absences and Capital Leases	756.9	728.7	227.2	241.9	984.1	970.6
Total	\$23,809.5	\$23,563.7	\$182,939.0	\$106,249.7	\$206,748.5	\$129,813.4

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

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

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

The City's legal debt margin was \$22,397,874 at December 31, 2007.

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

The Future

The City of Marysville continues to work diligently to increase revenues and decrease costs to put the City on more stable footing. Between 1990 and 2000, the City of Marysville grew from a community of 9,500 to a community approaching 16,000 residents and the growth has continued with current population estimates showing the City in excess of 17,000 residents.

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

City of Marysville
Management's Discussion and Analysis
For the Year Ended December 31, 2007

The City has worked hard to refinance the debt load 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. Our commitment to the residents of the City of Marysville should always be full disclosure of the financial position of the City.

Contacting the City's Finance Department

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

City of Marysville
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$9,599,210	\$113,955,855	\$123,555,065
Cash and Cash Equivalents with Fiscal Agents	0	4,310,957	4,310,957
Property Taxes Receivable	1,903,237	0	1,903,237
Municipal Income Taxes Receivable	1,595,459	0	1,595,459
Accounts Receivable	248,630	2,086,359	2,334,989
Special Assessments Receivable	228,126	0	228,126
Interest Receivable	82,550	542,693	625,243
Due from Other Governments	822,007	0	822,007
Prepaid Items	96,558	105,683	202,241
Land	1,272,981	4,142,235	5,415,216
Construction in Progress	4,789,882	68,106,564	72,896,446
Depreciable Capital Assets, Net	36,728,477	37,738,797	74,467,274
Total Assets	57,367,117	230,989,143	288,356,260
<u>Liabilities</u>			
Accrued Wages Payable	141,288	39,591	180,879
Accounts Payable	134,486	329,621	464,107
Contracts Payable	106,534	3,169,347	3,275,881
Due to Other Governments	352,548	48,007	400,555
Accrued Interest Payable	278,000	1,208,798	1,486,798
Notes Payable	15,030,000	28,565,001	43,595,001
Retainage Payable	101,861	3,656,522	3,758,383
Deferred Revenue	1,836,837	0	1,836,837
Long-Term Liabilities:			
Due Within One Year	1,013,848	1,483,164	2,497,012
Due in More than One Year	7,765,664	152,890,822	160,656,486
Total Liabilities	26,761,066	191,390,873	218,151,939
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	19,705,560	23,197,827	42,903,387
Restricted for:			
Capital Projects	1,351,180	0	1,351,180
Debt Service	69,709	0	69,709
Other Purposes	2,937,868	0	2,937,868
Sewer Replacement and Improvement	0	79,794,428	79,794,428
Water Replacement and Improvement	0	26,612,296	26,612,296
Unrestricted	6,541,734	(90,006,281)	(83,464,547)
Total Net Assets	\$30,606,051	\$39,598,270	\$70,204,321

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues				Net (Expense) Revenue and Change in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<u>Governmental Activities</u>							
General Government	\$2,520,151	\$229,954	\$47,600	\$0	(\$2,242,597)	\$0	(\$2,242,597)
Security of Persons and Property:							
Police	3,116,798	89,131	91,532	0	(2,936,135)	0	(2,936,135)
Fire	3,270,770	722,032	61,617	0	(2,487,121)	0	(2,487,121)
Other	608,572	739,460	48,215	0	179,103	0	179,103
Public Health Services	524,249	50,426	0	0	(473,823)	0	(473,823)
Leisure Time Activities	372,573	167,362	0	0	(205,211)	0	(205,211)
Transportation	2,962,282	0	812,517	0	(2,149,765)	0	(2,149,765)
Community Environment	1,000,616	0	21,400	447,806	(531,410)	0	(531,410)
Interest and Fiscal Charges	1,458,978	0	0	0	(1,458,978)	0	(1,458,978)
Total Governmental Activities	15,834,989	1,998,365	1,082,881	447,806	(12,305,937)	0	(12,305,937)
<u>Business-Type Activities</u>							
Sanitation	1,160,948	1,139,063	0	0	0	(21,885)	(21,885)
Sewer	10,152,835	8,064,427	0	707,441	0	(1,380,967)	(1,380,967)
Water	4,499,050	6,915,380	0	0	0	2,416,330	2,416,330
Stormwater Assessment	373,767	538,506	0	0	0	164,739	164,739
Total Business-Type Activities	16,186,600	16,657,376	0	707,441	0	1,178,217	1,178,217
Total	\$32,021,589	\$18,655,741	\$1,082,881	\$1,155,247	(12,305,937)	1,178,217	(11,127,720)
<u>General Revenues</u>							
Property Taxes					2,238,058	0	2,238,058
Other Local Taxes					104,878	0	104,878
Municipal Income Taxes					8,053,835	0	8,053,835
Grants and Entitlements not Restricted to Specific Programs					588,945	0	588,945
Interest					915,825	3,640,525	4,556,350
Contributions and Donations					15,224	0	15,224
Other Revenues					264,465	156,846	421,311
Total General Revenues					12,181,230	3,797,371	15,978,601
Change in Net Assets					(124,707)	4,975,588	4,850,881
Net Assets Beginning of Year - As Restated					30,730,758	34,622,682	65,353,440
Net Assets End of Year					\$30,606,051	\$39,598,270	\$70,204,321

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Coleman's Crossing TIF Fund	City Gate TIF Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$5,533,313	\$13,518	\$0	\$119,583	\$3,932,796	\$9,599,210
Receivables:						
Property Taxes	1,671,847	0	0	0	231,390	1,903,237
Municipal Income Taxes	1,595,459	0	0	0	0	1,595,459
Accounts	52,448	0	0	0	196,182	248,630
Special Assessments	0	0	0	228,126	0	228,126
Interest	82,239	0	0	0	311	82,550
Due from Other Governments	382,853	0	0	0	439,154	822,007
Prepaid Items	78,383	0	0	0	18,175	96,558
Total Assets	9,396,542	13,518	0	347,709	4,818,008	14,575,777
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts Payable	106,415	0	0	0	28,071	134,486
Contracts Payable	0	0	0	0	106,534	106,534
Retainage Payable	0	0	0	0	101,861	101,861
Accrued Wages Payable	130,564	0	0	0	10,724	141,288
Due to Other Governments	338,859	0	0	0	13,689	352,548
Deferred Revenue	2,672,393	0	0	228,126	613,961	3,514,480
Total Liabilities	3,248,231	0	0	228,126	874,840	4,351,197
<u>Fund Balance</u>						
Reserved for Encumbrances	663,155	0	0	1,646	306,847	971,648
Unreserved, Reported in:						
General Fund	5,485,156	0	0	0	0	5,485,156
Special Revenue Funds	0	13,518	0	0	2,378,281	2,391,799
Debt Service Fund	0	0	0	117,937	0	117,937
Capital Projects Funds	0	0	0	0	1,258,040	1,258,040
Total Fund Balance	6,148,311	13,518	0	119,583	3,943,168	10,224,580
Total Liabilities and Fund Balance	\$9,396,542	\$13,518	\$0	\$347,709	\$4,818,008	\$14,575,777

See Accompanying Notes to the Basic Financial Statements

City of Marysville
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2007*

Total Governmental Fund Balance		\$10,224,580
Amounts reported for governmental activities in the statement of net assets are different due to:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		42,791,340
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property Taxes	66,400	
Municipal Income Taxes	773,366	
Special Assessments	228,126	
Intergovernmental Revenue	609,751	
Total		1,677,643
Long-term liabilities, including accrued interest payable and bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(278,000)	
Notes Payable	(15,030,000)	
Compensated Absences Payable	(723,732)	
Capital Leases Payable	(33,171)	
General Obligation Bonds Payable	(8,022,609)	
Total		(24,087,512)
Net Assets of Governmental Activities		\$30,606,051

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 For the Year Ended December 31, 2007

	General Fund	Coleman's Crossing TIF Fund	City Gate TIF Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$1,651,364	\$332,724	\$0	\$0	\$251,756	\$2,235,844
Other Local Taxes	132,238	0	0	0	0	132,238
Municipal Income Taxes	7,788,527	0	0	0	0	7,788,527
Special Assessments	0	0	0	25,074	0	25,074
Charges for Services	727,235	0	0	0	423,261	1,150,496
Fees, Licenses, and Permits	274,401	0	0	0	39,552	313,953
Fines and Forfeitures	542,563	0	0	0	219,171	761,734
Intergovernmental	897,780	0	0	0	1,227,076	2,124,856
Interest	900,001	0	0	0	15,824	915,825
Contributions and Donations	12,150	0	0	0	56,694	68,844
Other Revenues	22,438	0	0	0	22,106	44,544
Total Revenues	12,948,697	332,724	0	25,074	2,255,440	15,561,935
Expenditures						
Current:						
General Government	2,111,450	0	0	5,672	115,779	2,232,901
Security of Persons and Property:						
Police	2,864,085	0	0	0	148,141	3,012,226
Fire	2,595,965	0	0	0	510,090	3,106,055
Other	556,992	0	0	0	49,953	606,945
Leisure Time Activities	269,571	0	0	0	28,348	297,919
Transportation	0	0	0	0	1,274,664	1,274,664
Public Health Services	503,530	0	0	0	210	503,740
Community Environment	462,613	127,366	0	0	382,810	972,789
Capital Outlay	505,333	0	0	0	3,846,960	4,352,293
Debt Service:						
Principal Retirement	16,274	6,975,000	5,000,000	3,415,000	0	15,406,274
Interest and Fiscal Charges	2,208	295,613	242,034	480,871	62,681	1,083,407
Total Expenditures	9,888,021	7,397,979	5,242,034	3,901,543	6,419,636	32,849,213
Excess of Revenues Over (Under) Expenditures	3,060,676	(7,065,255)	(5,242,034)	(3,876,469)	(4,164,196)	(17,287,278)
Other Financing Sources (Uses)						
General Obligation Bonds Issued	0	0	0	6,515,000	0	6,515,000
Payments Made to Escrow Agents	0	0	0	(6,673,981)	0	(6,673,981)
Bond Anticipation Notes Issued	0	7,005,000	5,225,000	1,800,000	1,000,000	15,030,000
Proceeds from Sale of Capital Assets	7,739	0	0	0	20,105	27,844
Premium on Issuance of Bond Anticipation Notes	0	33,624	17,034	8,640	4,800	64,098
Premium on Issuance of Bonds	0	0	0	303,889	0	303,889
Transfers In	0	40,000	0	2,015,500	738,279	2,793,779
Transfers Out	(2,753,779)	0	0	0	(40,000)	(2,793,779)
Total Other Financing Sources (Uses)	(2,746,040)	7,078,624	5,242,034	3,969,048	1,723,184	15,266,850
Net Change in Fund Balance	314,636	13,369	0	92,579	(2,441,012)	(2,020,428)
Fund Balance Beginning of Year	5,833,675	149	0	27,004	6,384,180	12,245,008
Fund Balance End of Year	\$6,148,311	\$13,518	\$0	\$119,583	\$3,943,168	\$10,224,580

See Accompanying Notes to the Basic Financial Statements

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, 2007*

Net Change in Fund Balance - Total Governmental Funds (\$2,020,428)

*Amounts reported for governmental activities in the
statement of activities are different due to:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. 2,060,099

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets:

Loss on Sale of Capital Assets	(22,273)	
Proceeds from Sale of Capital Assets	<u>(27,844)</u>	
		(50,117)

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

Intergovernmental Receivable	(50,927)	
Municipal Income Taxes Receivable	265,308	
Property Taxes Receivable	2,214	
Other Local Taxes Receivable	(27,360)	
Miscellaneous Revenue	(164)	
Special Assessments Receivable	<u>(25,074)</u>	
		163,997

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. 22,089,135

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities in the statement of activities. (21,912,987)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (32,434)

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

Premium	16,280	
Issuance Costs	<u>214,426</u>	
		230,706

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Fiscal Charges on Refunded Bonds	(599,310)	
Compensated Absences Payable	<u>(53,368)</u>	
		<u>(652,678)</u>

Change in Net Assets of Governmental Activities (\$124,707)

See Accompanying Notes to the Basic Financial Statements

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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Property Taxes	\$1,657,500	\$1,657,500	\$1,651,364	(\$6,136)
Other Local Taxes	110,000	110,000	148,170	38,170
Municipal Income Taxes	7,815,380	7,815,380	7,877,319	61,939
Charges for Services	1,826,622	1,826,622	1,710,084	(116,538)
Fees, Licenses, and Permits	265,300	265,300	274,404	9,104
Fines and Forfeitures	411,500	411,500	499,327	87,827
Intergovernmental	1,023,662	1,023,662	890,230	(133,432)
Interest	675,500	675,500	909,135	233,635
Contributions and Donations	33,000	33,000	12,150	(20,850)
Other Revenues	52,000	52,000	23,087	(28,913)
Total Revenues	13,870,464	13,870,464	13,995,270	124,806
<u>Expenditures</u>				
Current:				
General Government	4,156,302	4,525,562	3,919,078	606,484
Security of Persons and Property:				
Police	3,006,500	3,075,945	2,697,951	377,994
Fire	3,208,427	3,296,710	2,919,763	376,947
Other	608,109	666,581	527,870	138,711
Leisure Time Activities	329,223	346,330	277,886	68,444
Community Environment	584,837	872,266	798,590	73,676
Public Health Services	537,783	595,018	532,240	62,778
Total Expenditures	12,431,181	13,378,412	11,673,378	1,705,034
Excess of Revenues Over Expenditures	1,439,283	492,052	2,321,892	1,829,840
<u>Other Financing Sources (Uses)</u>				
Proceeds on Sale of Capital Assets	0	0	7,739	7,739
Transfers Out	(2,592,500)	(2,967,500)	(2,753,779)	213,721
Total Other Financing Sources (Uses)	(2,592,500)	(2,967,500)	(2,746,040)	221,460
Net Change in Fund Balance	(1,153,217)	(2,475,448)	(424,148)	2,051,300
Fund Balance Beginning of Year	4,738,875	4,738,875	4,738,875	0
Prior Year Encumbrances Appropriated	467,548	467,548	467,548	0
Fund Balance End of Year	\$4,053,206	\$2,730,975	\$4,782,275	\$2,051,300

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Coleman's Crossing TIF Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$599,385	\$599,385	\$332,724	(\$266,661)
Total Revenues	599,385	599,385	332,724	(266,661)
<u>Expenditures</u>				
Debt Service:				
Other Debt Service	252,100	252,100	127,366	124,734
Principal Retirement	6,975,000	6,975,000	6,975,000	0
Interest and Fiscal Charges	264,350	264,350	261,989	2,361
Total Expenditures	7,491,450	7,491,450	7,364,355	127,095
Excess of Revenues Over Expenditures	(6,892,065)	(6,892,065)	(7,031,631)	(139,566)
<u>Other Financing Sources (Uses)</u>				
Bond Anticipation Notes Issued	7,189,350	7,189,350	7,005,000	(184,350)
Transfers In	0	51,272	40,000	(11,272)
Total Other Financing Sources (Uses)	7,189,350	7,240,622	7,045,000	(195,622)
Net Change in Fund Balance	297,285	348,557	13,369	(335,188)
Fund Balance Beginning of Year	149	149	149	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End of Year	<u>\$297,434</u>	<u>\$348,706</u>	<u>\$13,518</u>	<u>(\$335,188)</u>

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
City Gate TIF Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures</u>				
Debt Service:				
Principal Retirement	\$5,500,000	\$5,500,000	\$5,000,000	\$500,000
Interest and Fiscal Charges	220,000	220,000	225,000	(5,000)
Total Expenditures	<u>5,720,000</u>	<u>5,720,000</u>	<u>5,225,000</u>	<u>495,000</u>
Excess of Revenues Over Expenditures	<u>(5,720,000)</u>	<u>(5,720,000)</u>	<u>(5,225,000)</u>	<u>495,000</u>
<u>Other Financing Sources (Uses)</u>				
Bond Anticipation Notes Issued	<u>5,720,000</u>	<u>5,720,000</u>	<u>5,225,000</u>	<u>(495,000)</u>
Total Other Financing Sources (Uses)	<u>5,720,000</u>	<u>5,720,000</u>	<u>5,225,000</u>	<u>(495,000)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Net Assets
Enterprise Funds
December 31, 2007

	Sewer	Water	Other Enterprise Funds	Total
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,199,829	\$5,297,805	\$1,051,497	\$7,549,131
Accounts Receivable	1,102,541	826,150	157,668	2,086,359
Accrued Interest	468,791	73,902	0	542,693
Prepaid Items	55,241	47,250	3,192	105,683
Total Current Assets	2,826,402	6,245,107	1,212,357	10,283,866
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	79,794,428	26,612,296	0	106,406,724
Cash and Cash Equivalents with Fiscal Agents	3,874,554	436,403	0	4,310,957
Total Restricted Assets	83,668,982	27,048,699	0	110,717,681
<u>Non-Current Assets</u>				
Land	2,479,735	1,662,500	0	4,142,235
Construction in Progress	66,839,194	1,267,370	0	68,106,564
Depreciable Capital Assets, Net	18,135,940	19,113,148	489,709	37,738,797
Total Non-Current Assets	87,454,869	22,043,018	489,709	109,987,596
Total Assets	173,950,253	55,336,824	1,702,066	230,989,143
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	17,361	16,649	5,581	39,591
Accounts Payable	109,932	135,978	83,711	329,621
Contracts Payable	3,141,867	27,138	342	3,169,347
Due to Other Governments	21,660	19,786	6,561	48,007
Retainage Payable	3,656,522	0	0	3,656,522
Accrued Interest Payable	1,039,742	169,056	0	1,208,798
Notes Payable	26,701,842	1,863,159	0	28,565,001
Capital Leases Payable	3,569	395	0	3,964
Compensated Absences Payable	74,459	57,340	11,732	143,531
Ohio Public Works Commission Loan Payable	7,927	0	0	7,927
General Obligation Bonds Payable	170,533	230,282	0	400,815
Mortgage Revenue Bonds Payable	299,489	627,438	0	926,927
Total Current Liabilities	35,244,903	3,147,221	107,927	38,500,051
<u>Non-Current Liabilities</u>				
Compensated Absences Payable	21,013	50,567	8,156	79,736
Ohio Public Works Commission Loans Payable	49,566	0	0	49,566
General Obligation Bonds Payable	783,508	1,150,569	0	1,934,077
Mortgage Revenue Bonds Payable	119,357,192	31,470,251	0	150,827,443
Total Non-Current Liabilities	120,211,279	32,671,387	8,156	152,890,822
Total Liabilities	155,456,182	35,818,608	116,083	191,390,873
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	15,207,193	7,500,925	489,709	23,197,827
Restricted for:				
Sewer Replacement and Improvement	79,794,428	0	0	79,794,428
Water Replacement and Improvement	0	26,612,296	0	26,612,296
Unrestricted (Deficit)	(76,507,550)	(14,595,005)	1,096,274	(90,006,281)
Total Net Assets	\$18,494,071	\$19,518,216	\$1,585,983	\$39,598,270

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Revenues, Expenses, and Changes in Net Assets
Enterprise Funds
For the Year Ended December 31, 2007

	Sewer	Water	Other Enterprise Funds	Total
<u>Operating Revenues</u>				
Charges for Services	\$6,770,841	\$5,747,085	\$1,677,569	\$14,195,495
Tap-In Fees	1,293,586	1,168,295	0	2,461,881
Other Revenues	136,396	2,112	18,338	156,846
Total Operating Revenues	<u>8,200,823</u>	<u>6,917,492</u>	<u>1,695,907</u>	<u>16,814,222</u>
<u>Operating Expenses</u>				
Personal Services	1,170,998	1,039,518	384,159	2,594,675
Contractual Services	1,006,531	661,397	914,331	2,582,259
Materials and Supplies	582,973	873,530	98,765	1,555,268
Other Expenses	130,876	111,057	68,033	309,966
Depreciation	766,954	748,875	69,427	1,585,256
Total Operating Expenses	<u>3,658,332</u>	<u>3,434,377</u>	<u>1,534,715</u>	<u>8,627,424</u>
Operating Income	<u>4,542,491</u>	<u>3,483,115</u>	<u>161,192</u>	<u>8,186,798</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue	3,297,492	343,033	0	3,640,525
Interest Expense	(6,494,503)	(1,064,673)	0	(7,559,176)
Total Non-Operating Revenues (Expenses)	<u>(3,197,011)</u>	<u>(721,640)</u>	<u>0</u>	<u>(3,918,651)</u>
Income before Contributions	1,345,480	2,761,475	161,192	4,268,147
Capital Contributions	<u>707,441</u>	<u>0</u>	<u>0</u>	<u>707,441</u>
Change in Net Assets	2,052,921	2,761,475	161,192	4,975,588
Net Assets Beginning of Year - As Restated	<u>16,441,150</u>	<u>16,756,741</u>	<u>1,424,791</u>	<u>34,622,682</u>
Net Assets End of Year	<u>\$18,494,071</u>	<u>\$19,518,216</u>	<u>\$1,585,983</u>	<u>\$39,598,270</u>

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2007

	Sewer	Water	Other Enterprise Funds	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$7,572,186	\$6,645,142	\$1,655,743	\$15,873,071
Cash Received from Other Revenues	137,883	47,057	29,534	214,474
Cash Payments for Personal Services	(1,181,774)	(1,100,225)	(382,288)	(2,664,287)
Cash Payments to Suppliers	(1,754,374)	(1,205,402)	(953,063)	(3,912,839)
Cash Payments for Other Expenses	(122,836)	(348,676)	(71,432)	(542,944)
Net Cash Provided by (Used for) Operating Activities	<u>4,651,085</u>	<u>4,037,896</u>	<u>278,494</u>	<u>8,967,475</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on General Obligation Bonds	(178,738)	(216,262)	0	(395,000)
Interest Paid on General Obligation Bonds	(37,181)	(45,151)	0	(82,332)
Principal Paid on Mortgage Revenue Bonds	(220,000)	(562,216)	0	(782,216)
Interest Paid on Mortgage Revenue Bonds	(4,840,945)	(354,626)	0	(5,195,571)
Principal Paid on Bond Anticipation Notes	(2,082,500)	(1,952,500)	0	(4,035,000)
Interest Paid on Bond Anticipation Notes	(98,082)	(91,342)	0	(189,424)
Principal Paid on OPWC Loans	(7,927)	0	0	(7,927)
Principal Paid on Capital Leases	(2,476)	(475)	0	(2,951)
Interest Paid on Capital Leases	(1,019)	(87)	0	(1,106)
Mortgage Revenue Bonds Issued	32,122,165	21,313,132	0	53,435,297
Bond Anticipation Notes Issued	26,701,841	1,863,159	0	28,565,000
Debt Issuance Costs	(895,444)	(505,726)	0	(1,401,170)
Proceeds From Sale of Capital Assets	13,250	2,875	0	16,125
Acquisition of Capital Assets	(49,412,399)	(459,819)	(113,628)	(49,985,846)
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>1,060,545</u>	<u>18,990,962</u>	<u>(113,628)</u>	<u>19,937,879</u>
<u>Cash Flows from Investing Activities</u>				
Interest	2,876,541	279,890	0	3,156,431
Net Cash Provided by Investing Activities	<u>2,876,541</u>	<u>279,890</u>	<u>0</u>	<u>3,156,431</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,588,171	23,308,748	164,866	32,061,785
Cash and Cash Equivalents Beginning of Year	76,280,640	9,037,756	886,631	86,205,027
Cash and Cash Equivalents End of Year	<u>\$84,868,811</u>	<u>\$32,346,504</u>	<u>\$1,051,497</u>	<u>\$118,266,812</u>

(continued)

City of Marysville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2007

	Sewer	Water	Other Enterprise Funds	Total
<u>Reconciliation of Operating Income to Net</u>				
<u>Cash Provided by (Used for) Operating Activities</u>				
Operating Income	\$4,542,491	\$3,483,115	\$161,192	\$8,186,798
<u>Adjustments to Reconcile Operating Income (Loss) to Net</u>				
<u>Cash Provided by (Used for) Operating Activities</u>				
Depreciation	766,954	748,875	69,427	1,585,256
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(481,899)	(223,087)	(10,630)	(715,616)
(Increase) Decrease in Due from Other Governments	20,000	0	0	20,000
(Increase) Decrease in Prepaid Items	2,851	2,671	(164)	5,358
Increase (Decrease) in Accounts Payable	(18,760)	87,307	56,437	124,984
Increase (Decrease) in Contracts Payable	(169,747)	(141)	342	(169,546)
Increase (Decrease) in Accrued Wages Payable	2,543	(10,326)	2,357	(5,426)
Increase (Decrease) in Due to Other Governments	(22,401)	(24,936)	(5,292)	(52,629)
Increase (Decrease) in Compensated Absences Payable	9,053	(25,582)	4,825	(11,704)
Net Cash Provided by (Used for) Operating Activities	<u>\$4,651,085</u>	<u>\$4,037,896</u>	<u>\$278,494</u>	<u>\$8,967,475</u>

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2007

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$15,441
Cash and Cash Equivalents in Segregated Accounts	<u>160,789</u>
Total Assets	<u><u>176,230</u></u>
<u>Liabilities:</u>	
Undistributed Assets	<u>176,230</u>
Total Liabilities	<u><u>\$176,230</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 1 - REPORTING ENTITY

The City of Marysville is a charter municipal corporation founded in 1837, with the charter adopted by the electors on December 1, 1960, and most recently updated on November 7, 2006. The City may exercise all powers of home rule granted under Article XVIII, Section 3 of the Ohio Constitution not in conflict with applicable general laws of Ohio.

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

Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Marysville in 2007.

The City is associated with the Marysville/Union County Joint Recreation District and the Union County Community Improvement Corporation; each is a jointly governed organization. These organizations are more fully described in Note 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Coleman's Crossing TIF Fund - The Coleman's Crossing TIF Fund is a special revenue fund used to account for the debt proceeds used for and the incremental tax receipts realized by the development of the Coleman's Crossing area. These proceeds will be utilized to repay the debt issued for completion of this project.

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary funds focus on net assets and changes in net assets. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2007. The City's agency funds, which account for fees charged by the law library, municipal court operations, and unclaimed funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, 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, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Revenues - Exchange and Non-Exchange Transactions (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 have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2007, but were levied to finance 2008 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. City Council must approve any budget revisions that alter the appropriations at the legal level of budgetary control. The following procedures are used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

Unless specifically waived by the County Budget Commission, a budget of estimated revenues and expenditures for all funds, other than agency funds, is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. If the requirement to file this tax budget is waived by the County Budget Commission, other financial documentation may be requested for review of the City's financial status.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 2007.

Appropriations

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

Lapsing of Appropriations

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

Encumbrances

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

F. Cash and Investments

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Investments (continued)

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

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

Investments are reported at fair value, except for repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2007 was \$900,001, which includes \$851,910 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, 2007, are recorded as prepaid items using the consumption method. This includes recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Restricted Assets

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

I. Capital Assets

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets (continued)

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

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

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

J. Inter-fund Receivables/Payables

On the fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “Inter-fund Receivables/Payables”. Inter-fund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only inter-fund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as “Internal Balances”. There were no inter-fund receivables/payables at December 31, 2007.

K. Compensated Absences

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

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences (continued)

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

L. Accrued Liabilities and Long-Term Obligations

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

M. Fund Balance Reserves

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

N. Net Assets

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

Restricted for other purposes represents balances of state and federal grants in special revenue funds.

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

Of the City's restricted net assets of \$110,865,481, \$8,054,927 was restricted by enabling legislation.

O. Operating Revenues and Expenses

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Capital Contributions

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

Q. Inter-fund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during 2007.

S. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General and major Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	Net Changes in Fund Balance		
	General Fund	Coleman's Crossing TIF Fund	City Gate TIF Fund
GAAP Basis	\$314,636	\$13,369	\$0
<u>Increases (Decreases) Due To</u>			
Revenue Accruals	1,046,573	(33,624)	(17,034)
Expenditure Accruals	(1,028,838)	33,624	17,034
Encumbrances Outstanding At Year-End (Budget Basis)	(756,519)	0	0
Budget Basis	(\$424,148)	\$13,369	\$0

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

Cash on Hand

At year-end, the City had \$5,252 in undeposited cash on hand which is included on the statement of net assets as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At year-end, the carrying amount of the City's deposits was \$7,772,356 and the bank balance was \$6,056,016. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining balance of \$5,856,016 was collateralized with securities held in single financial institution collateral pools in the name of the respective depository bank and pledged as a pool of collateral against all of the public moneys it holds.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

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

	Uncategorized	Category 1	Category 2	Carrying/Fair Value	Weighted Average Maturity (Years)
Fifth Third Instl Gov't Money Market Fund	\$0	\$0	\$8,141,748	\$8,141,748	N/A
Mutual Funds	20,904,362	0	0	20,904,362	N/A
Federal Home Loan Bank	0	43,659,013	0	43,659,013	<1 year
Federal Home Loan Bank	0	10,089,460	0	10,089,460	1-3 years
Federal Farm Credit Bank	0	3,877,203	0	3,877,203	<1 year
Federal Home Loan Mortgage Corporation	0	2,746,259	0	2,746,259	<1 year
Federal National Mortgage Association	0	8,071,816	0	8,071,816	<1 year
Federal National Mortgage Association	0	2,227,904	0	2,227,904	1-3 years
First American Government Obligation Fund	0	3,654,352	0	3,654,352	<1 year
STAR Ohio	16,892,527	0	0	16,892,527	N/A
Total	\$37,796,889	\$74,326,007	\$8,141,748	\$120,264,644	

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City limits its investments to mutual funds, money market accounts, U.S. Government Agency Securities and STAR Ohio. Investments in U.S. Government Agency Securities were rated AAA by Standard and Poor's. Investments in STAR Ohio were rated AAAM by Standard & Poor's. Mutual funds were not rated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The City has invested 59% of its investments in U.S. Government Securities, 14% in STAR Ohio, 10% in money market accounts, and 17% in mutual funds.

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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	\$128,042,252	\$0
Cash on Hand	(5,252)	0
Investments:		
Mutual Funds	(20,904,362)	20,904,362
Federal Agency Securities	(70,671,655)	70,671,655
Money Market Funds	(11,796,100)	11,796,100
STAR Ohio	(16,892,527)	16,892,527
GASB Statement No. 3	\$7,772,356	\$120,264,644

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2007 represent the collection of 2006 taxes. For 2007, real property taxes were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. These taxes will be collected in and are intended to finance 2008 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2007. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after October 1, 2007, on the assessed values as of December 31, 2006. These taxes will be collected in and are intended to finance 2008 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 2007 (other than public utility property) represent the collection of 2007 taxes. For 2007, tangible personal property taxes were levied after October 1, 2006, on the true value as of December 31, 2005. 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, 2007

NOTE 5 - 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, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2007 operations.

The full tax rate for all City operations for the year ended December 31, 2007, was \$4.50 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$ 257,773,180
Commercial/Industrial	107,786,380
Public Utility Real	28,280
Public Utility Personal	9,628,400
Tangible Personal	32,017,840
Total Assessed Value	\$ 407,234,080

NOTE 6 - MUNICIPAL INCOME TAXES

The City levies an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. Prior to January 1, 2005, the City allowed a credit of up to 50 percent of the tax paid to another municipality, not to exceed the amount owed for incomes of residents earned outside the City. Effective January 1, 2005 this credit was repealed making the tax owed by all residents of the City a full 1% of earned income. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City on a monthly or quarterly basis depending on the amount being withheld. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenues and expenditures for collecting, administering, and enforcing the tax are recorded in the General Fund. Filing is required and returns are due by April 15.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2007, consisted of interest; taxes; accounts (billings for user charged services, including unbilled utility services); special assessments; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 7 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
State of Ohio – Homestead and Rollback	\$61,532
Local Government/Local Government Revenue Assistance	209,535
Union County and Marysville Municipal Court - Fines and Forfeitures	75,348
Estate Tax/Liquor Permits	21,428
U.S. Treasury – Fire Grant	11,740
Union County Law Library	3,270
Total General Fund	382,853
Nonmajor Special Revenue Funds	
Police Pension	
State of Ohio	4,732
Fire Pension	
State of Ohio	4,732
Street Construction and Repair	
Gas Tax	281,959
Motor Vehicle License Tax	102,484
Mandatory Drug Fine	
Marysville Municipal Court/Union County	150
DUI Alcohol Education and Enforcement	
Marysville Municipal Court	355
State Highway Improvement	
Gas Tax	23,585
Motor Vehicle License Tax	8,309
Court Computer Research	
Marysville Municipal Court	2,504
Court Computerization	
Marysville Municipal Court	2,494
Court Special Projects	
Marysville Municipal Court	5,500
Court Probation Fine	
Marysville Municipal Court	2,350
Total Nonmajor Special Revenue Funds	439,154
Total Governmental Activities	822,007
Total All Funds	\$822,007

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 8 – INTER-FUND TRANSFERS

Inter-fund transfers for the year ended December 31, 2007 consisted of the following:

Transfer To	Transfer From	
	General Fund	Other Governmental Funds
Coleman’s Crossing TIF Fund	\$0	\$40,000
Debt Service	2,015,500	0
Other Governmental Funds	738,279	0
Total	\$2,753,779	\$40,000

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Balance at 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/2007</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,084,725	\$188,256	\$0	\$1,272,981
Construction in Progress	2,513,909	3,310,194	(1,034,221)	4,789,882
Subtotal	<u>3,598,634</u>	<u>3,498,450</u>	<u>(1,034,221)</u>	<u>6,062,863</u>
Depreciable Capital Assets				
Buildings	3,242,953	311,080	0	3,554,033
Improvements Other Than Buildings	2,030,155	61,808	0	2,091,963
Computers and Computer Equipment	181,442	79,355	(9,321)	251,476
Furniture and Equipment	1,059,113	114,658	(109,025)	1,064,746
Vehicles	3,234,558	265,142	(147,379)	3,352,321
Infrastructure				
Bridges	157,288	0	0	157,288
Roads	64,059,519	1,084,903	0	65,144,422
Storm Sewers	2,932,297	0	0	2,932,297
Other	8,022,722	0	0	8,022,722
Subtotal	<u>84,920,047</u>	<u>1,916,946</u>	<u>(265,725)</u>	<u>86,571,268</u>
Less: Accumulated Depreciation				
Buildings	(1,522,026)	(88,254)	0	(1,610,280)
Improvements Other Than Buildings	(927,431)	(115,366)	0	(1,042,797)
Computers and Computer Equipment	(88,393)	(36,204)	6,428	(118,169)
Furniture and Equipment	(601,799)	(103,755)	83,712	(621,842)
Vehicles	(1,651,936)	(251,472)	125,468	(1,777,940)
Infrastructure				
Bridges	(33,423)	(3,932)	0	(37,355)
Roads	(41,650,900)	(1,448,218)	0	(43,099,118)
Storm Sewers	(724,448)	(73,307)	0	(797,755)
Other	(536,967)	(200,568)	0	(737,535)
Total Accumulated Depreciation	<u>(47,737,323)</u>	<u>(2,321,076)</u>	<u>215,608</u>	<u>(49,842,791)</u>
Total Depreciable Capital Assets, Net	<u>37,182,724</u>	<u>(404,130)</u>	<u>(50,117)</u>	<u>36,728,477</u>
Governmental Activities Capital Assets, Net	<u>\$40,781,358</u>	<u>\$3,094,320</u>	<u>(\$1,084,338)</u>	<u>\$42,791,340</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$304,063
Security of Persons and Property	
Police	79,704
Fire	133,476
Other	10,416
Public Health	19,159
Transportation	1,676,842
Community Environment	22,762
Leisure Time Activities	74,654
Total Depreciation Expense	\$2,321,076

	Restated Balance at 12/31/2006	Additions	Reductions	Balance at 12/31/2007
Business-Type Activities				
Land	\$4,142,235	\$0	\$0	\$4,142,235
Construction in Progress	11,601,331	56,505,233	0	68,106,564
Subtotal	15,743,566	56,505,233	0	72,248,799
Depreciable Capital Assets				
Buildings	9,757,973	0	0	9,757,973
Improvements Other Than Buildings	5,564,229	43,272	0	5,607,501
Computers and Computer Equipment	106,658	8,044	(1,131)	113,571
Furniture and Equipment	974,430	304,674	(80,113)	1,198,991
Vehicles	1,136,452	293,616	(65,532)	1,364,536
Infrastructure				
Sewer Lines	15,015,983	0	0	15,015,983
Water Lines	23,618,135	0	0	23,618,135
Subtotal	56,173,860	649,606	(146,776)	56,676,690
Less: Accumulated Depreciation				
Buildings	(4,235,817)	(236,888)	0	(4,472,705)
Improvements Other Than Buildings	(166,419)	(155,519)	0	(321,938)
Computers and Computer Equipment	(73,184)	(21,910)	792	(94,302)
Furniture and Equipment	(544,717)	(91,250)	79,513	(556,454)
Vehicles	(582,159)	(118,306)	61,476	(638,989)
Infrastructure				
Sewer Lines	(4,883,217)	(370,930)	0	(5,254,147)
Water Lines	(7,008,905)	(590,453)	0	(7,599,358)
Total Accumulated Depreciation	(17,494,418)	(1,585,256)	141,781	(18,937,893)
Total Depreciable Capital Assets, Net	38,679,442	(935,650)	(4,995)	37,738,797
Business-Type Activities Capital Assets, Net	\$54,423,008	\$55,569,583	(\$4,995)	\$109,987,596

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 10 - RESTRICTED ASSETS

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

<u>Assets:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equity in Pooled Cash and Cash Equivalents	\$4,065,897	\$106,406,724
Cash and Cash Equivalents with Fiscal Agent	0	4,310,957
Accounts Receivable	196,182	0
Due From Other Governments	439,154	0
Accrued Interest	311	0
Prepaid Items	18,175	0
Property Taxes Receivable	231,390	0
Special Assessments Receivable	228,126	0
Total Restricted Assets	<u>5,179,235</u>	<u>110,717,681</u>
Less Liabilities Payable from Restricted Assets	<u>820,478</u>	<u>4,310,957</u>
Restricted Net Assets	<u><u>\$4,358,757</u></u>	<u><u>\$106,406,724</u></u>

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the City contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage Limit</u>	<u>Deductible</u>
Buildings	\$18,568,038	\$5,000
Personal Property	3,854,087	5,000
Employee Benefit Liability	1,000,000	1,000
Wrongful Acts	3,000,000	1,000
Law Enforcement	3,000,000	2,000
Automobile Liability	3,000,000	0
Medical Malpractice	3,000,000	0
Stop Gap	3,000,000	0
Appeal/Bail/Property Release Bonds	Unlimited	0
Electronic Data Processing	25,000 – 263,899	500
Pollution Liability Benefits	250,000 – 3,000,000	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, 2007

NOTE 12 - CONTRACTUAL COMMITMENTS

At December 31, 2007, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Jones and Henry	Engineering – Infiltration/Inflow Review	\$6,808
Jones and Henry	Union County Sewer System Review	15,766
Kokosing Construction	Water Reclamation Facility and Effluent Line	30,804,198
Ohio Technical Services	CHIP Construction Grants	28,808
Kirk Brothers	Crosses Run Pump Station	7,974,539
Super Excavators, Inc.	Trunk Interceptor Sewer	28,544,296
George J. Igel and Company	Sewer Force Main	1,123,084
The Shelley Company	2007 Pavement Maintenance	126,526
Concept Buildings	Mill Valley South Picnic, Restroom, and Concession Stand	86,864
Beaver Excavating Company	Upground Reservoir Improvements	6,745,000
Obermeyer Hydro	Inflatable Dam for Reservoir	241,225
H&K Construction	Upground Reservoir raw water piping	328,698
Elite Excavation Company	Upground Reservoir raw water piping installation	1,400,000
Malcolm Pirnie	Engineering Services – Water Reclamation Facility	1,225,455
DLZ	Engineering Services – Trunk Sewer and Pump Station Elimination	2,286,445

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City contributes to the Ohio Public Employees Retirement System (the “System”). The System administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

The System maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement to qualifying members of both the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Authority to establish and amend benefits is established by Chapter 145 of the Ohio Revised Code. The System issues a stand-alone publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Ohio Public Employees Retirement System, Attn: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

A. Ohio Public Employees Retirement System (continued)

Plan members are required to contribute 9.50 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.85 percent; 8.85 percent was the portion used to fund pension obligations for the period January 1 through June 30, 2007 and 7.85 percent was the portion used to fund pension obligations for the period July 1 through December 31, 2007. 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, 2007, 2006, and 2005 were \$643,465, \$615,269, and \$587,127 respectively; 92.48 percent has been contributed for 2007 and 100 percent has been contributed for 2006 and 2005. The unpaid contribution for 2007, in the amount of \$48,386, is recorded as a liability.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's contributions to OP&F for the years ended December 31, 2007, 2006, and 2005 were \$726,838, \$742,484, and \$686,720, respectively; 72.02 percent has been contributed for 2007 and 100 percent has been contributed for 2006 and 2005. The unpaid contribution for 2007, in the amount of \$203,351, is recorded as a liability.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (the "System") maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement to qualifying members of both the Traditional and Combined Plans (age and service retirees with ten or more years of qualifying Ohio service credit enrolled in the Traditional or Combined Plans). Members of the Member-Defined Plan do not qualify for ancillary benefits, including post-employment health care coverage. Health care coverage for disability benefit and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. 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 2007 employer contribution rate for local government employers was 13.85 percent of covered payroll; 5 percent was the portion used to fund health care for the period January 1 through June 30, 2007 and 6 percent was the portion used to fund health care for the period July 1 through December 31, 2007.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

A. Ohio Public Employees Retirement System (continued)

Benefits are advance funded using the individual entry age actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of four percent compounded annually, and an additional increase in total payroll of .50 percent to 6.3 percent based on additional pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 5 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent annually.

OPEB are financed through employer contributions and investment earnings. At December 31, 2007, the total number of active contributing participants in the Traditional and Combined Plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. As of December 31, 2006, the latest information available, the actuarial value of net assets available for future OPEB payments was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial liability were \$30.7 billion and \$18.7 billion, respectively. The City's actual contributions for 2007 which were used to fund OPB were \$256,371.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit as described in GASB Statement No. 12. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent of covered payroll.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund (continued)

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2006 and 6.75% of covered payroll in 2007. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The Ohio Revised Code provides for contribution requirement of the participating employers and of plan members to the OP&F (defined benefit pension plan). Active members do not make contributions to the OPEB Plan.

OP&F's post employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. The Board defined allocation was 7.75% of covered payroll in 2006 and 6.75% of covered payroll in 2007. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The number of participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available, are 14,120 for police and 10,563 for firefighters.

The City's actual contributions to OP&F for the year ended December 31, 2007 that were used to fund post-employment benefits were \$111,349 for police and \$113,810 for firefighters. The Fund's total health care expense for the year ended December 31, 2006, (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848.

NOTE 15 - COMPENSATED ABSENCES

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

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

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 16 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2007, were as follows:

	Interest Rate	Restated Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
Governmental Activities					
2006 Various Purpose Notes	4.00%	\$1,890,000	\$0	\$1,890,000	\$0
2006 Street Improvement Notes	4.25%	1,000,000	0	1,000,000	0
2006 Tax Increment Financing	3.80%	6,975,000	0	6,975,000	0
2006 Tax Increment Financing	4.30%	5,000,000	0	5,000,000	0
2007 Street Improvement Notes	4.25%	0	1,800,000	0	1,800,000
2007 Street Improvement Notes	4.25%	0	1,000,000	0	1,000,000
2007 Tax Increment Financing	4.25%	0	7,005,000	0	7,005,000
2007 Tax Increment Financing	4.00%	0	5,225,000	0	5,225,000
Total Governmental Activities		<u>14,865,000</u>	<u>15,030,000</u>	<u>14,865,000</u>	<u>15,030,000</u>
Business-Type Activities					
Sewer Fund					
2006 Water and Sewer Acquisition Notes	3.35%	2,082,500	0	2,082,500	0
2007 Water and Sewer Acquisition Notes	4.50%	0	1,951,842	0	1,951,842
2007 Wastewater Treatment System Notes	4.13%	0	23,000,000	0	23,000,000
2007 Trunk Sewer and Wastewater Notes	4.25%	0	1,750,000	0	1,750,000
Total Sewer Fund		<u>2,082,500</u>	<u>26,701,842</u>	<u>2,082,500</u>	<u>26,701,842</u>
Water Fund					
2006 Water and Sewer Acquisition Notes	3.35%	1,952,500	0	1,952,500	0
2007 Water and Sewer Acquisition Notes	4.50%	0	1,863,159	0	1,863,159
Total Water Fund		<u>1,952,500</u>	<u>1,863,159</u>	<u>1,952,500</u>	<u>1,863,159</u>
Total Business Type Activities		<u>\$4,035,000</u>	<u>\$28,565,001</u>	<u>\$4,035,000</u>	<u>\$28,565,001</u>

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS

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

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Amounts Due in One Year
<u>Governmental Activities</u>					
General Obligation Bonds					
2000 Various Purpose	\$7,970,000	\$0	\$6,630,000	\$1,340,000	\$425,000
2007 Various Purpose					
Refunding Bonds	0	6,515,000	120,000	6,395,000	25,000
Premium	0	303,889	16,280	287,609	21,706
Total Debt Service G.O. Bonds	7,970,000	6,818,889	6,766,280	8,022,609	471,706
Other Long-Term Obligations					
Compensated Absences Payable	670,364	723,732	670,364	723,732	526,648
Capital Leases Payable	58,324	0	25,153 *	33,171	15,494
Total Other Long-Term Obligations	728,688	723,732	695,517	756,903	542,142
Total Governmental Activities	<u>\$8,698,688</u>	<u>\$7,542,621</u>	<u>\$7,461,797</u>	<u>\$8,779,512</u>	<u>\$1,013,848</u>

*Of this total amount, \$16,274 was for principal payments and \$8,879 was a reduction due to the cancellation of a lease during 2007.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Restated Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Amounts Due in One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2004 Various Improvement Refunding - 2.00-3.70% Premium	\$2,725,000 5,707	\$0 0	\$395,000 815	\$2,330,000 4,892	\$400,000 815
Total General Obligation Bonds	<u>2,730,707</u>	<u>0</u>	<u>395,815</u>	<u>2,334,892</u>	<u>400,815</u>
<u>Mortgage Revenue Bonds</u>					
2002 Water System					
Mortgage Rev	3,289,583	0	145,000	3,144,583	150,000
Discount on Sale of Bonds	(44,543)	0	(2,784)	(41,759)	(2,784)
2003 Water System					
Mortgage Rev	8,024,373	0	420,000	7,604,373	425,000
Premium on Sale of Bonds	83,311	0	5,951	77,360	5,951
2006 Sewer System					
Mortgage Revenue	85,666,922	0	220,000	85,446,922	230,000
Premium on Sale of Bonds	2,157,084	0	55,310	2,101,774	55,310
2007 Sewer System					
Mortgage Revenue	0	31,555,000	0	31,555,000	0
Premium on Sale of Bonds	0	567,165	14,180	552,985	14,179
2007 Water System					
Mortgage Revenue	0	21,335,000	0	21,335,000	50,000
Discount on Sale of Bonds	0	(21,868)	0	(21,868)	(729)
Total Mortgage Revenue Bonds	<u>99,176,730</u>	<u>53,435,297</u>	<u>857,657</u>	<u>151,754,370</u>	<u>926,927</u>
<u>Other Long-Term Obligations</u>					
Ohio Public Works					
Commission Wastewater Treatment Plant Loan					
	50,720	0	5,967	44,753	5,967
Ohio Public Works Commission Sanitary Sewer Loan					
	14,700	0	1,960	12,740	1,960
Total OPWC Loans	<u>65,420</u>	<u>0</u>	<u>7,927</u>	<u>57,493</u>	<u>7,927</u>
Compensated Absences Payable					
	234,971	223,267	234,971	223,267	143,531
Capital Leases Payable	6,915	0	2,951	3,964	3,964
Total Other Long-Term Obligations	<u>241,886</u>	<u>223,267</u>	<u>237,922</u>	<u>227,231</u>	<u>147,495</u>
Total Business-Type Activities	<u>\$102,214,743</u>	<u>\$53,658,564</u>	<u>\$1,499,321</u>	<u>\$154,373,986</u>	<u>\$1,483,164</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Governmental Activities General Obligation Bonds

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

2000 Various Improvement

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

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

2007 Various Improvement Refunding Bonds

The Various Improvement general obligation bonds are serial bonds issued for the purpose of advance refunding a portion of the 2000 Various Improvement Bonds issued November 1, 2000 (\$6,225,000). The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$271,360. The 2007 bonds are not subject to redemption prior to maturity. The bonds mature on December 1, 2007 through December 1, 2017, and December 1, 2020 in the amount of \$6,515,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The amount of \$6,673,981 from the 2007 bonds was placed in an escrow fund to defease the 2000 bonds which will be redeemed each June 1 and December 1 annually between 2007 and 2010.

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.

2004 Various Purpose Refunding Bonds

The Various Purpose Refunding general obligation bonds are serial bonds issued to currently refund \$3,714,000, including a call premium of \$29,000, of outstanding various purpose general obligation bonds issued in 1992 and 1994. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$367,615. The 2004 bonds are not subject to redemption prior to maturity. The bonds mature on December 1, 2004, through December 1, 2013, in the amount of \$3,810,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The amount of \$3,714,000 from the 2004 bonds was placed in an escrow fund to defease the 1992 and 1994 bonds which were then optionally redeemed on June 1, 2004.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Mortgage Revenue Bonds

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

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

Restricted Assets Held by City	
Sewer Replacement and Improvement	\$ 76,137,906
Water Replacement and Improvement	26,612,296

2002 Water System Mortgage Revenue Bonds

The Water System Mortgage Revenue Bonds are term bonds which have annual mandatory sinking fund redemption requirements. The bonds mature December 1, 2003 through December 1, 2022, in the amount of \$3,820,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date.

2003 Water System Mortgage Revenue Refunding Bonds

The Water System Mortgage Revenue Refunding Bonds were issued to currently refund the City's Series 1993 water system mortgage revenue bonds. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$667,605. The refunding bonds are term bonds which have annual mandatory sinking fund redemption requirements. The term bonds mature on December 1, 2004, through December 1, 2021, in the amount of \$9,155,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2013, are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2013, in multiples of \$5,000, at a redemption price equal to 100 percent of the principal plus accrued interest. The amount of \$8,908,850 from the 2003 bonds was placed in an escrow fund along with \$847,750 from the debt service reserve fund to defease the 1993 bonds which were then redeemed on December 1, 2003 in their entirety.

2006 Sewer System Mortgage Revenue Refunding Bonds

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

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Mortgage Revenue Bonds (continued)

2007 Sewer System Mortgage Revenue Bonds

The Sewer System Mortgage Revenue Bonds are a combination of serial bonds maturing December 1, 2012 through December 1, 2023 and term bonds maturing December 1, 2027, December 1, 2037, and December 1, 2047, issued to provide funds for the acquisition, construction, expansion, rehabilitation, and improvement of the City's municipal wastewater collection and treatment system. The series 2007 bonds maturing after December 1, 2017 are subject to early redemption, at the sole option of the City, either in whole or in part on any date, on or after December 1, 2017 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest. The Series 2007 Bonds maturing December 1, 2027, December 1, 2037, and December 1, 2047 are subject to mandatory sinking fund redemption prior to stated maturity.

2007 Water System Mortgage Revenue Bonds

The Water System Mortgage Revenue Bonds are a combination of serial bonds maturing December 1, 2008 through December 1, 2025 and term bonds maturing December 1, 2027, December 1, 2032, and December 1, 2038, issued to provide funds for the acquisition, construction, expansion, rehabilitation, and improvement of the City's municipal water system. The series 2007 bonds maturing after December 1, 2017 are subject to early redemption, at the sole option of the City, either in whole or in part on any date, on or after December 1, 2017 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest. The Series 2007 Bonds maturing December 1, 2027, December 1, 2032, and December 1, 2038 are subject to mandatory sinking fund redemption prior to stated maturity.

Fund assets, whose uses are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. Restricted assets relating to the sewer mortgage revenue bonds at December 31, 2007, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$35,317
Mortgage Revenue Bond Reserve Fund	3,839,237

Restricted assets relating to the water mortgage revenue bonds at December 31, 2007, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$28,170
Mortgage Revenue Bond Construction and Improvement Fund	104,362
Mortgage Revenue Bond Reserve Fund	303,871

Pledged Revenues – In connection with the mortgage revenue bonds previously discussed, the City has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities, solely from net revenues applicable to the respective water and sewer funds. The interest and principal remaining to be paid on these bonds is \$328,190,742.

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Ohio Public Works Commission Loans

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

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

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

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

The City's overall legal debt margin was \$22,397,874 at December 31, 2007.

Principal and interest requirements to retire general obligation bonds, and mortgage revenue bonds at December 31, 2007, were as follows:

Year	Governmental-Type Activities General Obligation Bonds				Business-Type Activities General Obligation Bonds	
	2000 Various Improvement		2007 Various Purpose Refunding		2004 Various Improvement Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$425,000	\$67,000	\$25,000	\$277,550	\$400,000	\$73,840
2009	445,000	45,750	30,000	276,550	410,000	63,840
2010	470,000	23,500	30,000	275,350	420,000	51,540
2011	0	0	520,000	274,150	435,000	38,310
2012	0	0	540,000	253,350	325,000	23,955
2013-2017	0	0	3,075,000	922,150	340,000	12,580
2018-2020	0	0	2,175,000	221,000	0	0
Totals	<u>\$1,340,000</u>	<u>\$136,250</u>	<u>\$6,395,000</u>	<u>\$2,500,100</u>	<u>\$2,330,000</u>	<u>\$264,065</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Year	2002 Water System Mortgage Revenue Improvement		* 2003 Water System Mortgage Revenue Refunding		2007 Water System Mortgage Revenue Improvement	
	Principal	Interest	Principal	Interest	Principal	Interest
	2008	\$150,000	\$151,585	\$425,000	\$301,644	\$50,000
2009	155,000	145,360	435,000	291,018	65,000	982,831
2010	165,000	138,695	450,000	279,056	75,000	980,394
2011	170,000	131,435	465,000	265,106	100,000	977,581
2012	180,000	123,870	480,000	249,994	110,000	973,831
2013-2017	1,025,000	484,748	2,705,000	932,915	805,000	4,792,232
2018-2022	1,299,583	204,415	2,615,000	292,917	1,805,000	4,579,689
2023-2027	0	0	0	0	4,350,000	3,903,207
2028-2032	0	0	0	0	5,480,000	2,760,375
2033-2037	0	0	0	0	6,920,000	1,316,250
2038-2042	0	0	0	0	1,575,000	70,875
Totals	<u>\$3,144,583</u>	<u>\$1,380,108</u>	<u>\$7,575,000</u>	<u>\$2,612,650</u>	<u>\$21,335,000</u>	<u>\$22,442,324</u>

* The above amortization schedule for the 2003 Water System Mortgage Revenue Refunding Bonds does not agree to the bonds payable amount on page 51 because the City paid its scheduled bond payments for 2007 to its trust company, but the trust company had not yet withdrawn the whole amount as of year-end, leaving a balance of \$29,373 in a trust cash account. This balance is shown in the "Cash and Cash Equivalents with Fiscal Agents" account balance.

Year	2006 Sewer System Mortgage Revenue Improvement		2007 Sewer System Mortgage Revenue Improvement	
	Principal	Interest	Principal	Interest
	2008	\$230,000	\$4,142,825	\$0
2009	240,000	4,133,625	0	1,473,497
2010	250,000	4,124,025	0	1,473,498
2011	710,000	4,114,025	0	1,473,497
2012	765,000	4,087,400	315,000	1,473,498
2013-2017	5,435,000	19,776,565	1,780,000	7,167,687
2018-2022	6,860,000	18,348,477	2,165,000	6,781,725
2023-2027	8,805,000	16,400,914	2,660,000	6,293,168
2028-2032	11,290,000	13,917,190	3,315,000	5,629,875
2033-2037	14,410,000	10,798,190	4,230,000	4,713,875
2038-2042	18,255,000	6,951,627	5,385,000	3,571,050
2043-2047	18,196,922	2,185,001	11,705,000	2,165,050
Totals	<u>\$85,446,922</u>	<u>\$108,979,864</u>	<u>\$31,555,000</u>	<u>\$43,689,918</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	2006	
		Ohio Public Works Commission Loans
Year		<u>Principal</u>
2008		\$7,927
2009		7,927
2010		7,927
2011		7,927
2012		7,927
2013-2015		<u>17,858</u>
Totals		<u><u>\$57,493</u></u>

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds making the lease payments. Capital lease payments are reflected as debt service expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the governmental funds. Capital lease payments are reflected as a reduction of the liability for the enterprise funds. Assets, consisting of equipment, have been capitalized, in the amount of \$64,714 in the governmental funds and \$13,934 in the enterprise funds. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in 2007 were \$16,274 and \$2,951, in governmental and enterprise funds, respectively.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property under Capital Lease	\$64,714	\$13,934
Less Accumulated Depreciation	<u>(35,811)</u>	<u>(11,166)</u>
Total December 31, 2003	<u>\$28,903</u>	<u>\$2,768</u>

City of Marysville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

Year	Governmental Activities	Business-Type Activities
2008	\$17,291	\$4,232
2009	11,022	0
2010	6,844	0
Total	35,157	4,232
Less Amount Representing Interest	(1,986)	(268)
Present Value of Net Minimum Lease Payments	\$33,171	\$3,964

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Marysville/Union County Joint Recreation District

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

Union County Community Improvement Corporation

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

NOTE 20 - CONTINGENT LIABILITIES

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

For the period January 1, 2007, to December 31, 2007, 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, 2007

NOTE 21 - SUBSEQUENT EVENTS

On January 24, 2008, the City issued bond anticipation notes, in the amount of \$3,615,000 to retire notes previously issued, in the amount of \$3,815,000 for the acquisition of water lines, sewer lines, pumping stations, and related equipment from Union County, Ohio. The notes have an interest rate of 3.5 percent and mature on January 23, 2009.

On March 6, 2008, the City issued general obligation bond anticipation notes, in the amount of \$2,000,000, to retire notes previously issued, in the amount of \$1,800,000 for various street resurfacing projects. The notes have an interest rate of 2.0 percent and mature on March 5, 2009.

NOTE 22 – RESTATEMENT OF BEGINNING BALANCES AND CHANGE IN ACCOUNTING PRINCIPLES

Restatement of Beginning Balances

Certain previously reported net assets have been restated to reflect correction of errors related to debt balances and accumulated depreciation. These restatements had the following effect on previously reported net assets:

	Governmental Activities	Business-Type Activities	Sewer Fund	Water Fund	Other Enterprise Funds
Net Assets, December 31, 2006	\$30,683,774	\$34,601,920	\$16,391,872	\$16,794,334	\$1,415,714
Restatements:					
Debt Balances	46,984	99,972	65,884	34,088	0
Accumulated Depreciation	0	(79,210)	(16,606)	(71,681)	9,077
Net Assets, Restated, January 1, 2007	<u>\$30,730,758</u>	<u>\$34,622,682</u>	<u>\$16,441,150</u>	<u>\$16,756,741</u>	<u>\$1,424,791</u>

Change in Accounting Principles

For the year ended December 31, 2007, the City implemented Governmental Accounting Standards Board Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.” This principle establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The implementation of this principle had no effect on previously reported net assets or fund balances.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Marysville
Union County, Ohio
125 East 6th Street
Marysville, Ohio 43040-1641

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 18, 2008, wherein we indicated the City implemented GASB Statement No. 48. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-1.

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

City of Marysville
Union County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*
Page 2

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007-1 is also a material weakness.

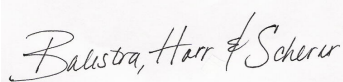
Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did not identify noncompliance or other matters that we reported to the City's management in a separate letter dated July 18, 2008.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
July 18, 2008

City of Marysville
Schedule of Findings
For the Year Ended December 31, 2007

Finding 2007-1

Material Weakness – Internal Controls Over Financial Reporting

Financial statement misstatements were identified during the audit that should have been prevented or detected by the City's internal controls over financial reporting. Misstatements were identified within the following balances:

- Current and prior year notes payable and long-term debt obligations.
- Retainage payable and related restricted cash balances.
- Accounts receivable and related charges for services.
- Prior year capital asset balances.
- Invested in capital assets, net of related debt balances.
- Interest revenue.

The accompanying financial statements were adjusted to reflect correction of material and certain immaterial misstatements. Correction of other immaterial misstatements was waived. The City should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:

The City of Marysville recognizes the importance of and is committed to proper financial reporting. The City acknowledges there were certain items, both material and immaterial, that were not posted or improperly posted in the conversion of the 2007 financial activity from the cash-basis financial statements to the general purpose (GAAP) financial statements that required correction during the financial and compliance audit process. The Finance Department is reviewing the current financial statement conversion process and will be enacting additional monitoring controls to ensure this process is complete and accurate in future periods.



Mary Taylor, CPA
Auditor of State

CITY OF MARYSVILLE

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**