



Mary Taylor, CPA
Auditor of State

**CITY OF MARYSVILLE
UNION COUNTY**

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FOR THE YEAR ENDED DECEMBER 31, 2009**

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UNION COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

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 City of Marysville, Union County, Ohio (the City), as of and for the year ended December 31, 2009, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 City of Marysville, Union County, Ohio, as of December 31, 2009 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Coleman's Crossing 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 September 24, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Management's Discussion and Analysis 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 the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 24, 2010

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

The discussion and analysis of the City of Marysville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- In total, net assets increased \$6,701,923. Net assets of governmental activities decreased \$256,259, which represents a 0.85 percent decrease from 2008. Net assets of business-type activities increased \$6,958,182 or 14.08 percent from 2008.
- Total assets of governmental activities decreased \$1,102,664, which represents a 1.95 percent decrease from 2008. Total liabilities of governmental activities decreased \$846,405, or 3.24 percent. Both decreases are attributable to decreases in cash, debt activity, and borrowed resources for economic development and street infrastructure improvements.
- Total assets of business-type activities increased \$913,826 which represents a 0.38 percent increase from 2008. Total liabilities of business-type activities decreased \$6,044,056, or 3.20 percent. Both differences are attributable primarily to the continued construction costs of a new sanitary sewer plant, trunk interceptor sewer, and transmission lines from the existing plant as well as payments made on the outstanding debt for these capital improvement projects.
- In total, cash and cash equivalents decreased \$10,927,338 or 4.70 percent. Total cash and cash equivalents of governmental activities decreased \$885,272 or 11.16 percent, while cash and cash equivalents in business-type activities decreased \$10,042,066 or 21.5 percent. The decrease in governmental activities cash and cash equivalents was due to the expenditure of General Fund carryover cash balances to finance operations. The decrease in business type activities cash and cash equivalents was due to borrowed monies which were used in 2009 for capital improvement projects mentioned above.
- Overall, the book value of capital assets increased by \$10,632,442. Total capital assets from governmental activities decreased by \$59,943 or 0.14 percent. Capital assets from business-type activities increased by \$10,692,385 or 5.65 percent. These increases were due to increased investment in capital assets including construction in progress on the Water Reclamation Facility (wastewater treatment plant), trunk interceptor sewer, and wastewater treatment pump station as well as the construction of the new water reservoir, inflatable dam, and pump station.

Using the Annual Financial Report

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

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

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Reporting the City of Marysville as a Whole

Statement of Net Assets and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" 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, 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
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

The City of Marysville as a Whole

The statement of net assets reviews the City as a whole. The following table is a summary of the City's net assets for 2009 and 2008.

	Net Assets (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$12,593.7	\$13,636.5	\$39,156.7	\$48,935.0	\$51,750.4	\$62,571.5
Capital Assets, Net	42,706.7	42,766.6	200,018.1	189,325.7	242,724.8	232,092.3
Total Assets	55,300.4	56,403.1	239,174.8	233,227.2	294,475.2	294,663.8
Liabilities						
Current and Other Liabilities	3,989.2	4,495.2	2,848.4	7,428.3	6,837.6	11,923.5
Long-Term Liabilities						
Due within One Year	1,207.6	13,157.0	1,605.3	1,511.4	2,812.9	14,668.4
Due in More Than One Year	20,103.8	8,494.8	178,351.5	179,909.6	198,455.3	188,404.4
Total Liabilities	25,300.6	26,147.0	182,805.2	188,849.3	208,105.8	214,996.3
Net Assets						
Invested in Capital Assets Net of Related Debt	22,141.2	21,116.9	22,937.9	30,514.1	45,079.1	51,631.0
Restricted for:						
Capital Projects	212.4	611.5	0.0	0.0	212.4	611.5
Debt Service	341.9	199.0	0.0	0.0	341.9	199.0
Other Purposes	2,774.6	3,198.2	0.0	0.0	2,774.6	3,198.2
Sewer Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Sewer Replacement and Improvement	0.0	0.0	76.2	16,441.3	76.2	16,441.3
Water Replacement and Improvement	0.0	0.0	6,704.9	16,235.3	6,704.9	16,235.3
Unrestricted	4,529.8	5,130.5	26,650.5	(13,779.4)	31,180.3	(8,648.9)
Total Net Assets	\$29,999.9	\$30,256.1	\$56,369.5	\$49,411.3	\$86,369.4	\$79,667.5

Total governmental activity assets decreased \$1,102,664. Equity in pooled cash and cash equivalents for governmental activities decreased \$885,272. The decrease in cash and equivalents was a result of reduced income tax receipts and interest earnings due to the downturn in the national and local economies. While the City posted an overall increase in income tax receipts, the increase was lower than initially anticipated.

Total assets of the City's business type activities increased \$889,413. The largest increases were in Capital Assets \$10,692,385 with a corresponding decrease in Cash and Cash Equivalents \$10,042,066 as the City continued construction on various capital improvement projects (Water Reclamation Facility (wastewater treatment plant), pump station, and transmission lines).

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2009.

(In Thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$1,790.0	\$1,704.4	\$16,170.4	\$15,559.3	\$17,960.4	\$17,263.7
Operating Grants, Contributions, and Interest	1,010.4	1,355.9	6.9	0.0	1,017.3	1,364.7
Capital Grants and Contributions	1,427.0	465.6	1,386.2	3,612.3	2,813.2	4,077.9
General Revenues						
Property Taxes	1,874.7	1,890.0	0.0	0.0	1,874.7	1,890.0
Municipal Income Taxes	8,347.0	8,286.8	0.0	0.0	8,347.0	8,286.8
Payments in Lieu of Taxes	1,022.1	823.1	982.1	1,021.5	2,004.2	1,844.6
Grants and Entitlements	724.5	702.0	0.0	0.0	724.5	702.0
Other	841.0	892.7	0.0	0	841.0	892.7
Total Revenues	17,036.7	16,120.5	18,545.6	20,201.9	35,582.3	36,322.4
Program Expenses						
General Government	2,890.6	2,802.3	0.0	0.0	2,890.6	2,802.3
Security of Persons and Property						
Police	3,806.3	3,550.3	0.0	0.0	3,806.3	3,550.3
Fire	3,848.9	3,345.9	0.0	0.0	3,848.9	3,345.9
Other	576.6	926.8	0.0	0.0	576.6	926.8
Public Health Services	533.7	516.1	0.0	0.0	533.7	516.1
Leisure Time Activities	357.5	340.3	0.0	0.0	357.5	340.3
Transportation	2,937.7	3,146.7	0.0	0.0	2,937.7	3,146.7
Community Environment	1,592.2	995.3	0.0	0.0	1,592.2	995.3
Interest and Fiscal Charges	882.4	843.2	0.0	0.0	882.4	843.2
Sanitation	0.0	0.0	1,244.2	1,139.3	1,244.2	1,139.3
Sewer	0.0	0.0	5,109.9	6,766.6	5,109.9	6,766.6
Water	0.0	0.0	4,636.2	4,169.1	4,636.2	4,169.1
Stormwater	0.0	0.0	464.1	551.9	464.1	551.9
Total Expenses	17,425.9	16,466.9	11,454.4	12,626.9	28,880.3	29,093.8
Increase (Decrease) in Net Assets before Transfers	(389.2)	(346.4)	7,091.2	7,575.0	6,702.0	7,228.6
Transfers	133.0	0.0	(133.0)	0.0	0.0	0.0
Increase (Decrease) in Net Assets	(256.2)	(346.4)	6,958.2	7,575.0	6,702.0	7,228.6
Net Assets Beginning of Year	30,256.1	30,602.6	49,411.3	41,836.3	79,667.4	72,438.9
Net Assets End of Year	\$29,999.9	\$30,256.1	\$56,369.5	\$49,411.3	\$86,369.4	\$79,667.5

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

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 2009 (accrual basis) was approximately \$8.35 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 85 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). Even in this difficult economic time, on a cash basis, the City's income tax receipts increased approximately \$68,000 (0.82%) between 2009 and 2008. On an accrual basis the City's income tax receipts increased \$60,239 (0.73%) between 2009 and 2008.

Security of Persons and Property is the primary governmental activity of the City, comprising approximately 47% of total governmental expenditures. General government (16.6%) and transportation (16.9%) are additional significant governmental activities of the City.

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 18,000. 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 \$7,590,941 and had operating expenses of \$4,470,601. The water plant generated operating revenues of \$6,827,003 and had operating expenses of \$4,120,475. 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 \$32,517,501 and expenditures and other financing uses of \$32,984,911.

The General Fund had a net change in fund balance of (\$476,677) due primarily to transfers out of \$2,302,557 to primarily finance debt payments and capital improvements.

The Coleman's Crossing TIF Fund had a net change in fund balance of \$198,837 respectively due to rollovers of Tax Increment Financing notes.

The Sewer and Water funds had increases in net assets of \$4,608,264 and \$2,156,434 respectively due primarily to the continued construction costs of a new sanitary sewer plant, trunk interceptor sewer, and transmission lines from the existing plant as well as payments made on the outstanding debt for these capital improvement projects.

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

General Fund Budgeting Highlights

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

During the course of 2009, 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 \$14,688,827. Original budgeted expenditures were \$16,171,390 and final budgeted expenditures were \$16,235,716, which were increased primarily to account for increases in health care costs.

Capital Assets and Debt Administration

Capital Assets

Capital Assets at December 31, 2009
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$1,272.9	\$1,272.9	\$4,142.2	\$4,142.2	\$5,415.1	\$5,415.1
Buildings	1,840.1	1,941.0	4,816.1	5,048.3	6,656.2	6,989.3
Improvements Other than Buildings	986.1	964.7	23,437.3	5,128.6	24,423.4	6,093.3
Computers and Computer Equipment	141.4	181.0	8.2	6.4	149.6	187.4
Furniture and Equipment	541.4	607.4	756.1	735.6	1,297.5	1,343.0
Vehicles	1,629.0	1,608.1	705.5	699.7	2,334.5	2,307.8
Infrastructure						
Bridges	112.1	116.0	0.0	0.0	112.1	116.0
Roads	20,219.9	21,524.4	0.0	0.0	20,219.9	21,524.4
Storm Sewer	1,987.9	2,061.2	0.0	0.0	1,987.9	2,061.2
Sewer Lines	0.0	0.0	9,028.4	9,393.7	9,028.4	9,393.7
Water Lines	0.0	0.0	15,274.7	15,681.9	15,274.7	15,681.9
Other	6,876.5	7,077.1	0.0	0.0	6,876.5	7,077.1
Construction in Progress	7,099.4	5,412.8	141,849.6	148,489.3	148,949.0	153,902.1
Totals	\$42,706.7	\$42,766.6	\$200,018.1	\$189,325.7	\$242,724.8	\$232,092.3

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Capital Assets and Debt Administration (Continued)

The decrease noted in governmental funds was due primarily to depreciation expense, reduced funding for capital improvements and the completion of construction projects tied to economic development. The increase seen in the business-type activities is due to construction costs for improvements in the sewer and water funds. During 2009 construction continued on a new wastewater treatment facility as well as completion of construction of an up-ground reservoir, dam, and pumping station. The City's new wastewater treatment facility, sewer transmission lines, force main, and pump station were completed and became operational by April 1, 2009 although these contracts are still in progress at December 31, 2009 for completion of change orders and "punch-list" items. For more information on the City's capital assets, see Note 9 to the basic financial statements.

Debt

At December 31, 2009, the City of Marysville had approximately \$201.2 million in bonds, notes, leases, and compensated absences outstanding, \$2.81 million of which was due within one year.

Outstanding Debt at December 31, 2009
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Notes	\$12,980.0	\$14,080.0	\$28,240.0	\$28,365.0	\$41,220	\$42,445.0
General Obligation Bonds	7,054.2	7,550.9	1,523.3	1,934.1	8,577.5	9,485.0
Mortgage Revenue Bonds	0.0	0.0	149,860.5	150,827.4	149,860.5	150,827.4
OPWC Loans	0.0	0.0	41.6	49.6	41.6	49.6
Compensated Absences and Capital Leases	1,277.2	820.9	291.3	244.9	1,568.5	1,065.8
Total	<u>\$21,311.4</u>	<u>\$22,451.8</u>	<u>\$179,956.7</u>	<u>\$181,421.0</u>	<u>\$201,268.1</u>	<u>\$203,872.8</u>

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 2009. 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 \$21,762,147 at December 31, 2009.

**CITY OF MARYSVILLE
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

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 18,000 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 plans to add a second fire station, construct a justice center to house the Police Division and Municipal Court, and to refurbish the existing buildings for the remaining City departments.

The City has worked hard to refinance the debt load and roll short-term notes into favorable interest rate notes. 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 Jenny Chavarria, City Finance Director, 125 East Sixth Street, Marysville, Ohio, 43040, (937) 642-6015, or e-mail at jchavarria@marysvilleohio.org.

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 7,047,665	\$ 24,295,770	\$ 31,343,435
Investments	-	3,607,122	3,607,122
Property Taxes Receivable	1,518,196	-	1,518,196
Municipal Income Taxes Receivable	1,526,030	-	1,526,030
Accounts Receivable	305,624	1,402,240	1,707,864
Payments in Lieu of Taxes Receivable	1,070,244	1,062,418	2,132,662
Special Assessments Receivable	184,702	-	184,702
Interest Receivable	5	320	325
Due from Other Governments	883,006	-	883,006
Prepaid Items	58,278	123,315	181,593
Restricted Assets: Equity in Pooled cash and cash equivalents	-	4,221,355	4,221,355
Restricted Assets: Cash and Cash Equivalents with Fiscal Agent	-	4,444,145	4,444,145
Land	1,272,981	4,142,235	5,415,216
Construction in Progress	7,099,412	141,849,628	148,949,040
Depreciable Capital Assets, Net	34,334,308	54,026,232	88,360,540
Total Assets	55,300,451	239,174,780	294,475,231
Liabilities			
Accrued Wages Payable	177,196	55,111	232,307
Accounts Payable	121,751	408,920	530,671
Contracts Payable	348,922	784,748	1,133,670
Due to Other Governments	381,972	54,051	436,023
Accrued Interest Payable	170,959	785,829	956,788
Notes Payable	200,000	-	200,000
Retainage Payable	109,050	759,825	868,875
Deferred Revenue	2,479,333	-	2,479,333
Long-Term Liabilities:			
Due Within One Year	1,207,565	1,605,289	2,812,854
Due in More than One Year	20,103,823	178,351,484	198,455,307
Total Liabilities	25,300,571	182,805,257	208,105,828
Net Assets			
Invested in Capital Assets, Net of Related Debt	22,141,194	22,937,908	45,079,102
Restricted for:			
Capital Projects	212,355	-	212,355
Debt Service	341,942	-	341,942
Other Purposes	2,774,620	-	2,774,620
Sewer Replacement and Improvement	-	76,255	76,255
Water Replacement and Improvement	-	6,704,888	6,704,888
Unrestricted	4,529,769	26,650,472	31,180,241
Total Net Assets	\$ 29,999,880	\$ 56,369,523	\$ 86,369,403

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Revenues				Net (Expense) Revenue and Change in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants Contributions and Interest	Governmental Activities	Business-Type Activities	
<u>Governmental Activities</u>							
General Government	\$ 2,890,567	\$ 1,991	\$ -	\$ -	\$ (2,888,576)	\$ -	\$ (2,888,576)
Security of Persons and Property:							
Police	3,806,296	10,044	87,345	-	(3,708,907)	-	(3,708,907)
Fire	3,848,940	802,193	39,946	-	(3,006,801)	-	(3,006,801)
Other	576,603	714,518	56,287	-	194,202	-	194,202
Public Health Services	533,704	62,362	-	-	(471,342)	-	(471,342)
Leisure Time Activities	357,477	119,681	-	-	(237,796)	-	(237,796)
Transportation	2,937,757	79,235	806,465	-	(2,052,057)	-	(2,052,057)
Community Environment	1,592,190	-	20,357	1,427,027	(144,806)	-	(144,806)
Interest and Fiscal Charges	882,409	-	-	-	(882,409)	-	(882,409)
Total Governmental Activities	17,425,943	1,790,024	1,010,400	1,427,027	(13,198,492)	-	(13,198,492)
<u>Business-Type Activities</u>							
Sanitation	1,244,236	1,391,143	-	-	-	146,907	146,907
Sewer	5,109,903	7,458,511	-	1,360,816	-	3,709,424	3,709,424
Water	4,636,236	6,816,999	-	25,362	-	2,206,125	2,206,125
Stormwater Assessment	464,076	503,772	6,881	-	-	46,577	46,577
Total Business-Type Activities	11,454,451	16,170,425	6,881	1,386,178	-	6,109,033	6,109,033
Total	\$ 28,880,394	\$ 17,960,449	\$ 1,017,281	\$ 2,813,205	(13,198,492)	6,109,033	(7,089,459)
<u>General Revenues</u>							
Property Taxes Levied For:							
General Purposes					1,627,109	-	1,627,109
Police Pension					123,807	-	123,807
Fire Pension					123,807	-	123,807
Payments in Lieu of Taxes					1,022,086	982,141	2,004,227
Other Local Taxes					120,864	-	120,864
Municipal Income Taxes					8,347,026	-	8,347,026
Grants and Entitlements not Restricted to Specific Programs					724,478	-	724,478
Interest					142,515	-	142,515
Contributions and Donations					1,206	-	1,206
Other Revenues					576,343	-	576,343
Transfers					132,992	(132,992)	-
Total General Revenues and Transfers					12,942,233	849,149	13,791,382
Change in Net Assets					(256,259)	6,958,182	6,701,923
Net Assets Beginning of Year					30,256,139	49,411,341	79,667,480
Net Assets End of Year					\$ 29,999,880	\$ 56,369,523	\$ 86,369,403

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General Fund	Coleman's Crossing TIF Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,627,564	\$ 216,320	\$ 3,203,781	\$ 7,047,665
Receivables:				
Property Taxes	1,315,710	-	202,486	1,518,196
Municipal Income Taxes	1,526,030	-	-	1,526,030
Accounts	72,147	-	233,477	305,624
Payments in Lieu of Taxes	-	1,070,244	-	1,070,244
Special Assessments	835	-	183,867	184,702
Interest	-	-	5	5
Interfund Receivable	413,224	-	-	413,224
Due from Other Governments	294,739	-	588,267	883,006
Prepaid Items	35,157	-	23,121	58,278
Total Assets	7,285,406	1,286,564	4,435,004	13,006,974
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts Payable	49,860	-	71,891	121,751
Contracts Payable	-	-	348,922	348,922
Retainage Payable	-	-	109,050	109,050
Interfund Payable	-	-	413,224	413,224
Accrued Wages Payable	165,176	-	12,020	177,196
Due to Other Governments	368,438	-	13,534	381,972
Notes Payable	-	-	200,000	200,000
Deferred Revenue	2,164,887	1,070,244	873,959	4,109,090
Total Liabilities	2,748,361	1,070,244	2,042,600	5,861,205
<u>Fund Balance</u>				
Reserved for Encumbrances	172,544	-	830,005	1,002,549
Unreserved, Reported in:				
General Fund	4,364,501	-	-	4,364,501
Special Revenue Funds	-	216,320	1,483,536	1,699,856
Debt Service Fund	-	-	(44,723)	(44,723)
Capital Projects Funds	-	-	123,586	123,586
Total Fund Balance	4,537,045	216,320	2,392,404	7,145,769
Total Liabilities and Fund Balance	\$ 7,285,406	\$ 1,286,564	\$ 4,435,004	\$ 13,006,974

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Total Governmental Fund Balance		\$ 7,145,769
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		
		42,706,701
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property Taxes	68,713	
Payment in Lieu of Taxes	40,869	
Municipal Income Taxes	612,871	
Charges for Services	147,433	
Special Assessments	183,867	
Intergovernmental Revenue	576,004	
Total	<u>1,629,757</u>	1,629,757
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	(170,959)	
Notes Payable	(12,980,000)	
Compensated Absences Payable	(990,078)	
Capital Leases Payable	(287,113)	
General Obligation Bonds Payable	(7,054,197)	
Total	<u>(21,482,347)</u>	(21,482,347)
Net Assets of Governmental Activities		<u>\$ 29,999,880</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Coleman's Crossing TIF Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 1,621,210	\$ -	\$ 246,706	\$ 1,867,916
Other Local Taxes	120,864	-	-	120,864
Municipal Income Taxes	8,435,459	-	-	8,435,459
Payments in Lieu of Taxes	-	956,394	-	956,394
Charges for Services	523,435	-	592,534	1,115,969
Fees, Licenses, and Permits	352,397	-	10,469	362,866
Fines and Forfeitures	408,485	-	224,453	632,938
Intergovernmental	851,862	-	2,311,840	3,163,702
Interest	142,018	-	497	142,515
Contributions and Donations	750	-	-	750
Other Revenues	77,575	456	98,433	176,464
Total Revenues	12,534,055	956,850	3,484,932	16,975,837
Expenditures				
Current:				
General Government	2,441,499	-	113,940	2,555,439
Security of Persons and Property:				
Police	3,425,545	-	203,140	3,628,685
Fire	2,847,434	-	524,212	3,371,646
Other	747,600	-	35,072	782,672
Leisure Time Activities	144,179	-	131,889	276,068
Transportation	-	-	980,343	980,343
Public Health Services	511,593	-	210	511,803
Community Environment	538,742	239,768	781,614	1,560,124
Capital Outlay	20,650	-	2,285,976	2,306,626
Debt Service:				
Principal Retirement	53,875	12,080,000	1,675,000	13,808,875
Interest and Fiscal Charges	10,307	429,787	448,437	888,531
Total Expenditures	10,741,424	12,749,555	7,179,833	30,670,812
Excess of Revenues Over (Under) Expenditures	1,792,631	(11,792,705)	(3,694,901)	(13,694,975)
Other Financing Sources (Uses)				
Refunding Bond Anticipation Notes Issued	-	11,980,000	1,000,000	12,980,000
Proceeds from Sale of Fixed Assets	33,249	-	928	34,177
Premium on Issuance of Bond Anticipation Notes	-	-	80,396	80,396
Transfers In	-	11,542	2,435,549	2,447,091
Transfers Out	(2,302,557)	-	(11,542)	(2,314,099)
Total Other Financing Sources (Uses)	(2,269,308)	11,991,542	3,505,331	13,227,565
Net Change in Fund Balance	(476,677)	198,837	(189,570)	(467,410)
Fund Balance Beginning of Year (as restated)	5,013,722	17,483	2,581,974	7,613,179
Fund Balance End of Year	\$ 4,537,045	\$ 216,320	\$ 2,392,404	\$ 7,145,769

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
DECEMBER 31, 2009**

Net Change in Fund Balance - Total Governmental Funds \$ (467,410)

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. (59,943)

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Assets, the debt is reported as a liability:
 Capital Lease Additions (322,180)

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

Intergovernmental Receivable	4,217	
Municipal Income Taxes Receivable	(88,433)	
Payments in Lieu of Taxes	40,869	
Property Taxes Receivable	6,807	
Charges for Services	12,763	
Miscellaneous Revenue	(6,300)	
Special Assessments Receivable	(23,641)	
		(53,718)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. 13,808,875

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities in the statement of activities. (12,980,000)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (15,584)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt in the statement of net assets.
 Bond Premium 21,706

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.
 Compensated Absences Payable (188,005)

Change in Net Assets of Governmental Activities \$ (256,259)

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 1,792,798	\$ 1,792,798	\$ 1,621,210	\$ (171,588)
Other Local Taxes	145,000	145,000	118,309	(26,691)
Municipal Income Taxes	8,464,434	8,464,434	8,385,684	(78,750)
Charges for Services	1,797,690	1,797,690	1,488,155	(309,535)
Fees, Licenses, and Permits	314,348	314,348	328,593	14,245
Fines and Forfeitures	513,000	513,000	447,807	(65,193)
Intergovernmental	951,457	951,457	884,784	(66,673)
Interest	650,100	650,100	156,976	(493,124)
Contributions and Donations	10,000	10,000	750	(9,250)
Other Revenues	50,000	50,000	85,398	35,398
Total Revenues	14,688,827	14,688,827	13,517,666	(1,171,161)
Expenditures				
Current:				
General Government	4,577,259	4,735,545	4,261,137	474,408
Security of Persons and Property:				
Police	3,344,915	3,320,715	2,931,528	389,187
Fire	3,145,539	3,130,181	2,877,898	252,283
Other	725,466	705,245	650,639	54,606
Leisure Time Activities	174,189	173,689	146,141	27,548
Community Environment	655,168	649,388	565,839	83,549
Public Health Services	574,467	574,366	526,548	47,818
Total Expenditures	13,197,003	13,289,129	11,959,730	1,329,399
Excess of Revenues Over Expenditures	1,491,824	1,399,698	1,557,936	158,238
Other Financing Sources (Uses)				
Proceeds on Sale of Fixed Assets	-	-	33,249	33,249
Advances In	-	-	127,422	127,422
Transfers Out	(2,974,387)	(2,946,587)	(2,302,557)	644,030
Total Other Financing Sources (Uses)	(2,974,387)	(2,946,587)	(2,141,886)	804,701
Net Change in Fund Balance	(1,482,563)	(1,546,889)	(583,950)	962,939
Fund Balance Beginning of Year	3,906,509	3,906,509	3,906,509	-
Prior Year Encumbrances Appropriated	483,708	483,708	483,708	-
Fund Balance End of Year	\$ 2,907,654	\$ 2,843,328	\$ 3,806,267	\$ 962,939

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Revenues</u>				
Payments in Lieu of Taxes	\$ 875,000	\$ 875,000	\$ 956,394	\$ 81,394
Total Revenues	<u>875,000</u>	<u>875,000</u>	<u>956,394</u>	<u>81,394</u>
<u>Expenditures</u>				
Debt Service:				
Other Debt Service	430,000	528,511	337,822	190,689
Principal Retirement	12,080,000	12,080,000	12,080,000	-
Interest and Fiscal Charges	332,105	332,105	331,277	828
Total Expenditures	<u>12,842,105</u>	<u>12,940,616</u>	<u>12,749,099</u>	<u>191,517</u>
Excess of Revenues Under Expenditures	<u>(11,967,105)</u>	<u>(12,065,616)</u>	<u>(11,792,705)</u>	<u>272,911</u>
<u>Other Financing Sources</u>				
Refunding Bond Anticipation Notes Issued	12,080,000	12,080,000	11,980,000	(100,000)
Transfers In	10,000	-	11,542	11,542
Total Other Financing Sources	<u>12,090,000</u>	<u>12,080,000</u>	<u>11,991,542</u>	<u>(88,458)</u>
Net Change in Fund Balance	122,895	14,384	198,837	184,453
Fund Balance Beginning of Year	<u>17,483</u>	<u>17,483</u>	<u>17,483</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 140,378</u>	<u>\$ 31,867</u>	<u>\$ 216,320</u>	<u>\$ 184,453</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2009**

	Sewer	Water	Other Enterprise Funds	Total
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 8,515,637	\$ 14,615,779	\$ 1,164,354	\$ 24,295,770
Investments	3,607,122	-	-	3,607,122
Accounts Receivable	641,121	599,716	161,403	1,402,240
Payments in Lieu of Taxes Receivable	1,062,418	-	-	1,062,418
Accrued Interest	2	318	-	320
Prepaid Items	56,148	64,977	2,190	123,315
Total Current Assets	13,882,448	15,280,790	1,327,947	30,491,185
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	24,713	4,196,642	-	4,221,355
Cash and Cash Equivalents with Fiscal Agents	4,140,215	303,930	-	4,444,145
Total Restricted Assets	4,164,928	4,500,572	-	8,665,500
<u>Non-Current Assets</u>				
Land	2,479,735	1,662,500	-	4,142,235
Construction in Progress	141,640,265	-	209,363	141,849,628
Depreciable Capital Assets, Net	16,836,853	36,759,482	429,897	54,026,232
Total Non-Current Assets	160,956,853	38,421,982	639,260	200,018,095
Total Assets	179,004,229	58,203,344	1,967,207	239,174,780
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	24,397	23,746	6,968	55,111
Accounts Payable	168,225	87,703	152,992	408,920
Contracts Payable	434,948	278,077	71,723	784,748
Due to Other Governments	24,281	23,839	5,931	54,051
Retainage Payable	759,825	-	-	759,825
Accrued Interest Payable	646,412	139,417	-	785,829
Compensated Absences Payable	77,839	71,031	15,750	164,620
Ohio Public Works Commission Loan Payable	7,927	-	-	7,927
General Obligation Bonds Payable	214,533	206,282	-	420,815
Mortgage Revenue Bonds Payable	319,489	692,438	-	1,011,927
Total Current Liabilities	2,677,876	1,522,533	253,364	4,453,773
<u>Non-Current Liabilities</u>				
Notes Payable	26,529,900	1,710,100	-	28,240,000
Compensated Absences Payable	58,447	67,218	1,071	126,736
Ohio Public Works Commission Loans Payable	33,712	-	-	33,712
General Obligation Bonds Payable	372,265	730,182	-	1,102,447
Mortgage Revenue Bonds Payable	118,728,214	30,120,375	-	148,848,589
Total Non-Current Liabilities	145,722,538	32,627,875	1,071	178,351,484
Total Liabilities	148,400,414	34,150,408	254,435	182,805,257
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	14,827,697	7,470,951	639,260	22,937,908
Restricted for:				
Sewer Replacement and Improvement	76,255	-	-	76,255
Water Replacement and Improvement	-	6,704,888	-	6,704,888
Unrestricted (Deficit)	15,699,863	9,877,097	1,073,512	26,650,472
Total Net Assets	\$ 30,603,815	\$ 24,052,936	\$ 1,712,772	\$ 56,369,523

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Sewer	Water	Other Enterprise Funds	Total
<u>Operating Revenues</u>				
Charges for Services	\$ 6,843,549	\$ 6,260,088	\$ 1,838,768	\$ 14,942,405
Tap-In Fees	614,451	523,159	-	1,137,610
Other Revenues	132,941	43,756	63,028	239,725
Total Operating Revenues	<u>7,590,941</u>	<u>6,827,003</u>	<u>1,901,796</u>	<u>16,319,740</u>
<u>Operating Expenses</u>				
Personal Services	1,369,994	1,327,915	386,857	3,084,766
Contractual Services	1,457,713	722,643	1,064,098	3,244,454
Materials and Supplies	586,445	991,958	105,009	1,683,412
Other Expenses	288,223	88,238	74,303	450,764
Depreciation	768,226	989,971	78,045	1,836,242
Total Operating Expenses	<u>4,470,601</u>	<u>4,120,725</u>	<u>1,708,312</u>	<u>10,299,638</u>
Operating Income	<u>3,120,340</u>	<u>2,706,278</u>	<u>193,484</u>	<u>6,020,102</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue	469,035	15,358	-	484,393
Payments in Lieu of Taxes	982,141	-	-	982,141
Interest Expense	(639,302)	(515,511)	-	(1,154,813)
Total Non-Operating Revenues (Expenses)	<u>811,874</u>	<u>(500,153)</u>	<u>-</u>	<u>311,721</u>
Income before Capital Contributions and Transfers	3,932,214	2,206,125	193,484	6,331,823
Capital Contributions	759,351	-	-	759,351
Transfers Out	(83,301)	(49,691)	-	(132,992)
Change in Net Assets	4,608,264	2,156,434	193,484	6,958,182
Net Assets Beginning of Year	<u>25,995,551</u>	<u>21,896,502</u>	<u>1,519,288</u>	<u>49,411,341</u>
Net Assets End of Year	<u>\$ 30,603,815</u>	<u>\$ 24,052,936</u>	<u>\$ 1,712,772</u>	<u>\$ 56,369,523</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Sewer	Water	Other Enterprise Funds	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$ 6,881,436	\$ 6,205,868	\$ 1,818,115	\$ 14,905,419
Cash Received from Tap In Fees	614,451	523,159	0	1,137,610
Cash Received from Other Revenues	-	32,243	63,028	95,271
Cash Payments for Personal Services	(1,342,183)	(1,330,525)	(383,857)	(3,056,565)
Cash Payments to Suppliers	(1,860,278)	(1,649,908)	(1,032,244)	(4,542,430)
Cash Payments for Other Expenses	(278,657)	(89,751)	(74,446)	(442,854)
Net Cash Provided by Operating Activities	4,014,769	3,691,086	390,596	8,096,451
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers Out to Other Funds	(83,301)	(49,691)	-	(132,992)
Net Cash Used for Noncapital Financing Activities	(83,301)	(49,691)	-	(132,992)
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on General Obligation Bonds	(185,525)	(224,475)	-	(410,000)
Interest Paid on General Obligation Bonds	(28,888)	(34,952)	-	(63,840)
Principal Paid on Mortgage Revenue Bonds	(240,000)	(655,000)	-	(895,000)
Interest Paid on Mortgage Revenue Bonds	(5,594,451)	(1,410,261)	-	(7,004,712)
Principal Paid on Bond Anticipation Notes	(26,598,229)	(1,766,770)	-	(28,364,999)
Interest Paid on Bond Anticipation Notes	(679,822)	(61,665)	-	(741,487)
Principal Paid on OPWC Loans	(7,927)	-	-	(7,927)
Proceeds from US Army Grant	759,351	-	-	759,351
Proceeds From Sale of Fixed Assets	511	-	-	511
Other Debt Expense	-	(121,250)	-	(121,250)
Bond Anticipation Notes Issued	26,529,900	1,710,100	-	28,240,000
Premium on Issuance of Debt	132,430	10,004	-	142,434
Debt Issuance Costs	(102,679)	(8,670)	-	(111,349)
Cash Received from Payment in Lieu of Taxes	658,231	-	-	658,231
Acquisition of Capital Assets	(6,167,357)	(4,211,365)	(150,702)	(10,529,424)
Net Cash Used for Capital and Related Financing Activities	(11,524,455)	(6,774,304)	(150,702)	(18,449,461)
<u>Cash Flows from Investing Activities</u>				
Interest	396,930	22,293	-	419,223
Purchase of Investments	(3,582,409)	-	-	(3,582,409)
Net Cash Provided by (Used for) Investing Activities	(3,185,479)	22,293	-	(3,163,186)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,778,466)	(3,110,616)	239,894	(13,649,188)
Cash and Cash Equivalents Beginning of Year	23,459,031	22,226,967	924,460	46,610,458
Cash and Cash Equivalents End of Year	<u>\$ 12,680,565</u>	<u>\$ 19,116,351</u>	<u>\$ 1,164,354</u>	<u>\$ 32,961,270</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>				
Operating Income	\$ 3,120,340	\$ 2,706,278	\$ 193,484	\$ 6,020,102
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>				
Depreciation	768,226	989,971	78,045	1,836,242
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	37,887	(54,220)	(20,653)	(36,986)
(Increase) Decrease in Prepaid Items	6,599	-	689	7,288
Increase (Decrease) in Accounts Payable	59,390	38,222	133,320	230,932
Increase (Decrease) in Contracts Payable	-	(6,137)	-	(6,137)
Increase (Decrease) in Accrued Wages Payable	2,524	3,200	1,422	7,146
Increase (Decrease) in Due to Other Governments	(110)	483	(1,623)	(1,250)
Increase (Decrease) in Compensated Absences Payable	19,913	13,289	5,912	39,114
Net Cash Provided by Operating Activities	<u>\$ 4,014,769</u>	<u>\$ 3,691,086</u>	<u>\$ 390,596</u>	<u>\$ 8,096,451</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2009**

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 22,919
Cash and Cash Equivalents in Segregated Accounts	<u>167,109</u>
Total Assets	<u><u>190,028</u></u>
<u>Liabilities:</u>	
Undistributed Assets	<u>190,028</u>
Total Liabilities	<u><u>\$ 190,028</u></u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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 3, 2009. 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 2009.

The City is associated with the Marysville/Union County Joint Recreation District, the Union County Community Improvement Corporation, the Mid-Ohio Regional Planning Commission and the Marysville/Union County Port Authority; 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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 and Coleman's Crossing Tax Incremental Financing (TIF) 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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 payments in lieu of 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.

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 2009. 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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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, payments in lieu of taxes, municipal income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes and payments in lieu of taxes are 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.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-Exchange Transactions (Continued)

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.

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 and payments in lieu of taxes for which there was an enforceable legal claim at December 31, 2009, but were levied to finance 2010 operations, have been recorded as deferred revenue. Municipal income taxes and 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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (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 2009.

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 or proprietary 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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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. 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, 2009.

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 2009 was \$142,018, which includes \$126,396 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, 2009, 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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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".

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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 water enterprise fund has 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 \$10,110,060, \$0 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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 2009.

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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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
GAAP Basis	(\$476,677)	\$198,837
<u>Increases (Decreases) Due To</u>		
Revenue Accruals	1,111,033	0
Expenditure Accruals	(983,786)	0
Encumbrances Outstanding At Year-End (Budget Basis)	(234,520)	0
Budget Basis	(\$583,950)	\$198,837

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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 \$3,144 in undeposited cash on hand which is included on the statement of net assets as part of "Equity in Pooled Cash and Cash Equivalents"

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the City's deposits was \$3,324,256 and the bank balance was \$3,589,820. Of the bank balance, \$3,518,675 was covered by federal depository insurance. The remaining balance of \$71,145 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.

	Carrying/Fair Value	Weighted Average Maturity (Years)
Mutual Funds	19,044,335	N/A
Negotiable Certificates of Deposit	2,976,730	1-3 years
Federal Home Loan Bank	502,970	1-3 years
Federal Farm Credit Bank	756,253	1-3 years
Federal Home Loan Mortgage Corporation	1,327,101	1-3 years
Federal National Mortgage Association	2,001,015	1-3 years
STAR Ohio	9,278,449	N/A
Total	\$35,886,853	

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, negotiable CD's, U.S. Government Agency Securities and STAR Ohio. Investments in U.S. Government Agency Securities and negotiable certificates of deposit 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 12.8% of its investments in U.S. Government Securities, 53.1% in mutual funds, 25.9% in STAR Ohio, and 8.3% in negotiable certificates of deposit.

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.

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.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 2009 represent the collection of 2008 taxes. For 2009, real property taxes were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. These taxes will be collected in and are intended to finance 2010 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 2009 were levied after October 1, 2009, on the assessed values as of December 31, 2008. These taxes will be collected in and are intended to finance 2010 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 2009 (other than public utility property) represent the collection of 2009 taxes. For 2009, tangible personal property taxes were levied after October 1, 2008, on the true value as of December 31, 2007. 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.

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, 2009, 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 2009 operations.

The full tax rate for all City operations for the year ended December 31, 2009, was \$4.50 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Agricultural/Residential	\$ 271,629,000
Commercial/Industrial	115,234,370
Public Utility Real	34,520
Public Utility Personal	8,777,510
Total Assessed Value	<u>\$ 395,675,400</u>

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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, 2009, consisted of interest; taxes; payments in lieu of 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.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
State of Ohio – Homestead and Rollback	\$82,617
Local Government Assistance	182,853
Estate Tax/Liquor Permits	<u>29,269</u>
Total General Fund	<u>294,739</u>
Nonmajor Special Revenue Funds	
Police Pension – State of Ohio	
State of Ohio	6,308
Fire Pension	
State of Ohio	6,308
Street Construction and Repair	
Gas Tax	192,319
Motor Vehicle License Tax	232,176
Mandatory Drug Fine	
Marysville Municipal Court/Union County	600
DUI Alcohol Education and Enforcement	
Marysville Municipal Court/Union County	148
State Highway Improvement	
Gas Tax	16,101
Motor Vehicle License Tax	18,825
Security of Persons and Property Fund	
Marysville Municipal Court	38,404
Marysville Exempted Village Schools - School Resource Officer	18,084

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 7 – RECEIVABLES (Continued)

Court Computer Research	
Marysville Municipal Court/Union County	2,218
Court Computerization	
Marysville Municipal Court/Union County	2,216
Court Special Projects	
Marysville Municipal Court/Union County	4,902
Court Probation Fine	
Marysville Municipal Court/Union County	2,458
Municipal Court Local Interlock Fund	
Marysville Municipal Court/Union County	1,910
Municipal Court Local Interlock	
Marysville Municipal Court/Union County	1,290
CDBG Formula Grant	
State of Ohio	44,000
Total Nonmajor Special Revenue Funds	588,267
Total Governmental Activities	\$883,006
Total All Funds	\$883,006

NOTE 8 – INTER-FUND TRANSFERS

Inter-fund transfers for the year ended December 31, 2009 consisted of the following:

		Transfer From				
		General Fund	Coleman's Crossing TIF Fund	Other Governmental Funds	Sewer Fund	Water Fund
Transfer To	Coleman's Crossing TIF Fund	0	0	11,542	0	0
	Other Governmental Funds	2,302,557	0	0	83,301	49,691

Transfers were made from the General Fund to provide funds for operating and debt retirement purposes. Transfers were made from the Sewer and Water Funds to the Job Readiness Site Fund to pay a portion of the engineering fees related to the installation of sewer and water lines for that project.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance at 12/31/2008	Additions	Reductions	Balance at 12/31/2009
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,272,981	\$0	\$0	\$1,272,981
Construction in Progress	5,412,757	1,766,103	(79,448)	7,099,412
Subtotal	<u>6,685,738</u>	<u>1,766,103</u>	<u>(79,448)</u>	<u>8,372,393</u>
Depreciable Capital Assets				
Buildings	3,650,834	0	0	3,650,834
Improvements Other Than Buildings	2,125,655	143,082	0	2,268,737
Computers and Computer Equipment	326,032	15,919	0	341,951
Furniture and Equipment	1,312,033	62,040	(15,444)	1,358,629
Vehicles	3,664,058	343,691	0	4,007,749
Infrastructure				
Bridges	157,288	0	0	157,288
Roads	66,177,690	317,148	0	66,494,838
Storm Sewers	2,932,297	0	0	2,932,297
Other	8,022,722	0	0	8,022,722
Subtotal	<u>88,368,609</u>	<u>881,880</u>	<u>(15,444)</u>	<u>89,235,045</u>
Less: Accumulated Depreciation				
Buildings	(1,709,885)	(100,865)	0	(1,810,750)
Improvements Other Than Buildings	(1,160,963)	(121,719)	0	(1,282,682)
Computers and Computer Equipment	(145,008)	(55,575)	0	(200,583)
Furniture and Equipment	(704,654)	(128,066)	15,444	(817,276)
Vehicles	(2,055,951)	(322,799)	0	(2,378,750)
Infrastructure				
Bridges	(41,287)	(3,932)	0	(45,219)
Roads	(44,653,244)	(1,621,647)	0	(46,274,891)
Storm Sewers	(871,062)	(73,307)	0	(944,369)
Other	(945,649)	(200,568)	0	(1,146,217)
Total Accumulated Depreciation	<u>(52,287,703)</u>	<u>(2,628,478)</u>	<u>15,444</u>	<u>(54,900,737)</u>
Total Depreciable Capital Assets, Net	<u>36,080,906</u>	<u>(1,746,598)</u>	<u>(0)</u>	<u>34,334,308</u>
Governmental Activities Capital Assets, Net	<u>\$42,766,644</u>	<u>\$19,505</u>	<u>(\$79,448)</u>	<u>\$42,706,701</u>

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 9 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$301,574
Security of Persons and Property	
Police	126,934
Fire	180,446
Other	5,844
Public Health	19,747
Transportation	1,884,192
Community Environment	28,332
Leisure Time Activities	81,409
Total Depreciation Expense	\$2,628,478

	Balance at 12/31/2008	Additions	Reductions	Balance at 12/31/2009
Business-Type Activities				
Land	\$4,142,235	\$0	\$0	\$4,142,235
Construction in Progress	148,489,316	7,552,204	(14,191,892)	141,849,628
Subtotal	152,631,551	7,552,204	(14,191,892)	145,991,863
Depreciable Capital Assets				
Buildings	9,757,973	0	0	9,757,973
Improvements Other Than Buildings	5,607,501	18,699,437	0	24,306,938
Computers and Computer Equipment	113,571	4,678	0	118,249
Furniture and Equipment	1,403,809	144,854	(12,340)	1,536,323
Vehicles	1,433,416	126,676	0	1,560,092
Infrastructure				
Sewer Lines	15,015,983	0	0	15,015,983
Water Lines	23,874,904	192,670	0	24,067,574
Subtotal	57,207,157	19,168,315	(12,340)	76,363,132
Less: Accumulated Depreciation				
Buildings	(4,709,593)	(232,330)	0	(4,941,923)
Improvements Other Than Buildings	(478,899)	(390,704)	0	(869,603)
Computers and Computer Equipment	(107,202)	(2,815)	0	(110,017)
Furniture and Equipment	(668,252)	(124,322)	12,340	(780,234)
Vehicles	(733,749)	(120,835)	0	(854,584)
Infrastructure				
Sewer Lines	(5,622,282)	(365,341)	0	(5,987,623)
Water Lines	(8,193,021)	(599,894)	0	(8,792,915)
Subtotal	(20,512,998)	(1,836,241)	12,340	(22,336,899)
Total Accumulated Depreciation	(20,512,998)	(1,836,241)	12,340	(22,336,899)
Total Depreciable Capital Assets, Net	36,694,159	17,332,074	0	54,026,233
Business-Type Activities Capital Assets, Net	\$189,325,710	\$24,884,278	(\$14,191,892)	\$200,018,096

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 9 - CAPITAL ASSETS (Continued)

In accordance with Financial Accounting Standards Board Statement No. 62, the City capitalizes the net effect of interest expense and related interest revenue on the portion of the tax-exempt debt issued from the Sewer and Water Funds. Interest costs in fiscal year 2009 were \$5,866,488 for the Sewer Fund and \$982,831 for the Water Fund, of which \$5,566,346 and \$970,782 respectively, has been capitalized. Interest costs not capitalized are expensed.

NOTE 10 - RESTRICTED NET 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	\$3,006,877	\$4,221,355
Cash and Cash Equivalents with Fiscal Agent	0	4,444,145
Accounts Receivable	233,477	0
Due From Other Governments	588,267	0
Accrued Interest	5	0
Prepaid Items	23,121	0
Property Taxes Receivable	202,486	0
Payments in Lieu of Taxes Receivable	1,070,244	0
Special Assessments Receivable	183,867	0
Total Restricted Assets	<u>5,308,344</u>	<u>8,665,500</u>
Less Liabilities Payable from Restricted Assets	<u>1,979,427</u>	<u>1,884,357</u>
Restricted Net Assets	<u><u>\$3,328,917</u></u>	<u><u>\$6,781,143</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 2009, the City contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage Limit</u>	<u>Deductible</u>
Buildings	\$ 84,291,086	\$ 5,000
Miscellaneous Property	2,383,356	500
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	-
Electronic Data Processing	25,000 – 263,899	500
Pollution Liability Benefits	250,000	-

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
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 12 - CONTRACTUAL COMMITMENTS

At December 31, 2009, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Beheler Excavating	Industrial Parkway Sewer Extension Project	\$ 1,065,209
Burgess & Niple	Engineering Services – New Water Treatment Facility and Distribution Improvements	\$ 3,897,905
CT Consultants	Road Widening	5,997
CT Consultants	Waterline Project	1,088
Demmy Construction	Southwest Trunk Sewer Phase I	240,793
DLZ	Engineering Services – Trunk Sewer, Pump Station Elimination, South-West Trunk Sewer	1,645,922
George J. Igel and Company	Sewer Force Main	90,960
Jacobs Engineering Group	Comprehensive Plan Update	24,093
Kirk Brothers	Crosses Run Pump Station	50,023
Kokosing Construction	Water Reclamation Facility and Effluent Line	312,665
Malcolm Pirnie	Engineering Services – Water Reclamation Facility	19,828
ME Companies	Industrial Parkway/Columbus Ave Culvert Replacement	37,270
Nickolas Savco & Sons, Inc.	Collins Avenue Pavement Rehabilitation	96,771
Ohio Technical Services	CHIP Construction Grants	3,987
Pomante Construction	CHIP Construction Grants	14,000
Pomeroy & Associates	Storm Detention Project Design	308,768
Printz Plumbing	CDBG Tier II Grant	4,113
RDW Group	CHIP Construction Grants	3,728
Roberts Roofing Co	CDBG Tier II Grant	17,500
Strawser Paving	East 8 th Street Paving and 2008 Pavement Maintenance	171,468
Super Excavators, Inc.	Trunk Interceptor Sewer	376,265
Tom's Construction	North Main Street Sewer Improvement Project	498,688
Union Rural Electric	Natural Gas Service to the Job Readiness Site	389,189

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 14 percent; 7 percent was the portion used to fund pension obligations for the period January 1 through March 31, 2009 and 8.5% was the portion used to fund pension obligations for the period April 1 through December 31, 2009. 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, 2009, 2008, and 2007 were \$693,430, \$689,728, and \$643,465 respectively; 92.13 percent has been contributed for 2009 and 100 percent has been contributed for 2008 and 2007. The unpaid contribution for 2009, in the amount of \$54,569, 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, 2009, 2008, and 2007 were \$821,013, \$780,249, and \$726,838 respectively; 79.3 percent has been contributed for 2009 and 100 percent has been contributed for 2008 and 2007. The unpaid contribution for 2009, in the amount of \$214,396, is recorded as a liability.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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. 45. 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 2009 employer contribution rate for local government employers was 14 percent of covered payroll; 7 percent was the portion used to fund health care for the period January 1 through March 31, 2009 and 5.5% was the portion used to fund health care for the period April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

OPEB are advance funded on an actuarially determined basis 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 4 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 3 percent for the next 6 years. In subsequent years (7 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, 2009, the total number of active contributing participants in the Traditional and Combined Plans was 357,584. The number of active contributing participants for both plans used in the December 31, 2008 actuarial valuation was 356,388. As of December 31, 2008, the latest information available, the actuarial value of net assets available for future OPEB payments was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial liability were \$29.6 billion and \$18.9 billion, respectively. The City's actual contributions for 2009 which were used to fund OPEB were \$291,336.

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.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

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 (OPEB) 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.

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 6.75% of covered payroll in 2009 and 6.75% of covered payroll in 2008. 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 maintains funds for health care in two separate accounts. One for health care benefits under an Internal Revenue Service Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the 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 Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The Board defined allocation to the health care plan was 6.75% of covered payroll in 2009 and 2008. 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 Sections 115 and 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, 2008, the date of the last actuarial valuation available, are 14,567 for police and 10,750 for firefighters.

The City's actual contributions to OP&F for the year ended December 31, 2008 that were used to fund post-employment benefits were \$129,192 for police and \$125,783 for firefighters. The Fund's total health care expense for the year ended December 31, 2008, (the latest information available) was \$96,472,398, which was net of member contributions of \$56,948,977.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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.

NOTE 16 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2009, was as follows:

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Amounts Due in One Year
<u>Governmental Activities</u>					
Anticipation Notes:					
2008 Street Improvement Notes	1,200,000	0	1,200,000	0	0
2008 Tax Increment Financing	7,005,000	0	7,005,000	0	0
2008 Tax Increment Financing	5,075,000	0	5,075,000	0	0
2009 Street Improvement Notes	0	1,000,000	0	1,000,000	0
2009 Tax Increment Financing	0	7,005,000	0	7,005,000	0
2009 Tax Increment Financing	0	4,975,000	0	4,975,000	0
Total Anticipation Notes	13,280,000	12,980,000	13,280,000	12,980,000	0
General Obligation Bonds:					
2000 Various Purpose	915,000	0	445,000	470,000	470,000
2007 Various Purpose Refunding Bonds	6,370,000	0	30,000	6,340,000	30,000
Premium	265,903	0	21,706	244,197	21,706
Total G.O. Bonds	7,550,903	0	496,706	7,054,197	521,706
Other Long-Term Obligations:					
Compensated Absences Payable	802,073	990,078	802,073	990,078	636,697
Capital Leases Payable	18,808	322,180	53,875	287,113	49,162
Total Other Long-Term Obligations	820,881	1,312,258	855,948	1,277,191	685,859
Total Governmental Activities	<u>\$21,651,784</u>	<u>\$14,292,258</u>	<u>\$14,632,654</u>	<u>\$21,311,388</u>	<u>\$1,207,565</u>

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Amounts Due in One Year
Business-Type Activities					
Anticipation Notes:					
2008 Water and Sewer Acquisition Notes	3,615,000	0	3,615,000	0	0
2008 Wastewater Treatment System Notes	24,750,000	0	24,750,000	0	0
2009 Water and Sewer Acquisition Notes	0	3,490,000	0	3,490,000	0
2009 Wastewater Treatment System Notes	0	24,750,000	0	24,750,000	0
Total Anticipation Notes	28,365,000	28,240,000	28,365,000	28,240,000	0
General Obligation Bonds:					
2004 Various Improvement Refunding	1,930,000	0	410,000	1,520,000	420,000
Premium	4,077	0	815	3,262	815
Total General Obligation Bonds	1,934,077	0	410,815	1,523,262	420,815
Mortgage Revenue Bonds:					
2002 Water System					
Mortgage Rev	2,994,583	0	155,000	2,839,583	165,000
Discount on Sale of Bonds	(38,975)	0	(2,784)	(36,191)	(2,784)
2003 Water System					
Mortgage Rev	7,179,373	0	435,000	6,744,373	450,000
Premium on Sale of Bonds	71,409	0	5,951	65,458	5,951
2006 Sewer System					
Mortgage Revenue	85,216,922	0	240,000	84,976,922	250,000
Premium on Sale of Bonds	2,046,464	0	55,310	1,991,154	55,310
2007 Sewer System					
Mortgage Revenue	31,555,000	0	0	31,555,000	0
Premium on Sale of Bonds	538,806	0	14,179	524,627	14,179
2007 Water System					
Mortgage Revenue	21,285,000	0	65,000	21,220,000	75,000
Discount on Sale of Bonds	(21,139)	0	(729)	(20,410)	(729)
Total Mortgage Revenue Bonds	150,827,443	0	966,927	149,860,516	1,011,927
OPWC Loans:					
Ohio Public Works Commission Wastewater Treatment Plant Loan					
	38,786	0	5,967	32,819	5,967
Ohio Public Works Commission Sanitary Sewer Loan					
	10,780	0	1,960	8,820	1,960
Total OPWC Loans	49,566	0	7,927	41,639	7,927

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Other Long-Term Obligations:					
Compensated Absences Payable	244,645	291,356	244,645	291,356	164,620
Capital Leases Payable	271	0	271	0	0
<hr/>					
Total Other Long-Term Obligations	244,916	291,356	244,916	291,356	164,620
Total Business-Type Activities	<u>\$181,421,002</u>	<u>\$28,531,356</u>	<u>\$29,995,585</u>	<u>\$179,956,723</u>	<u>\$1,605,289</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.

Governmental Activities – Bond Anticipation Notes

Street Improvement Notes

The 2009 Street Improvement Notes of \$1,200,000 bearing a rate of 2.75% matured on March 4, 2010. These notes were issued to finance various City street improvements. These notes will be retired from the City's Debt Service Fund. On March 4, 2010, the City paid \$200,000 against the note and refinanced \$1,000,000 into a new bond anticipation note. Therefore, the \$1,200,000 liability outstanding at December 31, 2009 is split with \$1,000,000 presented as a long-term liability and \$200,000 presented as a fund liability in the financial statements. The activity related to the short-term obligation portion of the bond anticipation note is presented in Note 17.

Coleman's Crossing Tax Increment Financing Notes

The 2008 Coleman's Crossing Tax Increment Financing Notes of \$7,500,000 bearing a rate of 2.75% matured on October 20, 2009 and were reissued as 2009 Coleman's Crossing Tax Increment Financing Notes of \$7,005,000 bearing a rate of 3.00 percent. The 2009 Coleman's Crossing TIF Notes of \$7,005,000 bearing a rate of 3.00 percent were reissued as 2010 Coleman's Crossing TIF Notes of 7,005,000 bearing a rate of 3 percent. These notes were issued to finance certain public improvements within the Coleman's Crossing Tax Increment Financing District. These notes will be retired from the City's Coleman's Crossing TIF Fund.

City Gate Tax Increment Financing Notes

The 2008 City Gate Tax Increment Financing Notes of \$5,075,000 bearing a rate of 2.75 percent matured on October 20, 2009 and were reissued as 2009 Coleman's Crossing Tax Increment Financing Notes of \$4,975,000 bearing a rate of 3.50 percent. The City Gate and Coleman's Crossing TIF activity has been consolidated into one fund as both developments are located within the same TIF District initially established as the Coleman's Crossing TIF District. The 2009 City Gate TIF of \$4,975,000 bearing a rate of 3.50 percent were reissued as 2010 City Gate TIF Notes of 4,975,000 bearing a rate of 2.875 percent. These notes were issued to finance certain public improvements within the Coleman's Crossing Tax Increment Financing District. These notes will be retired from the City's Coleman's Crossing TIF Fund.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - 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

Bonds bear an interest rate from 5.00 to 5.40%. These bonds will be retired from the City's Debt Service Fund.

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. Bonds bear an interest rate from 4.00 to 5.00%. These bonds will be retired from the City's Debt Service Fund. \$6,612,030 was outstanding as of December 31, 2009.

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, Water, and Stormwater enterprise funds.

Capital Leases Payable

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

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities – Bond Anticipation Notes

Water and Sewer Acquisition Notes

The 2008 Water and Sewer Acquisition Notes of \$3,615,000 bearing a rate of 4.5% matured on January 23, 2009 and were reissued as 2009 Water and Sewer Acquisition Notes of \$3,490,000 bearing a rate of 2.75%. The 2009 Water and Sewer Acquisition Notes of \$3,490,000 bearing a rate of 2.75% matured on January 22, 2010 and were reissued as 2010 Water and Sewer Acquisition Notes of \$3,465,000 bearing a rate of 1.50%. These notes were issued to finance the cost of acquiring certain improvements of a sewage collection system and certain improvements of a water supply and distribution system. These notes will be retired from the City's Water and Sewer funds.

Wastewater Treatment System and Trunk Sewer Notes

The 2008 Wastewater Treatment System Notes of \$24,750,000 bearing a rate of 4.13% matured on June 3, 2009 from the 2009 Wastewater Treatment System Notes of \$24,750,000 bearing a rate of 1.50%. The 2009 Wastewater Treatment System and Trunk Sewer Notes of \$24,750,000 bearing a rate of 1.50% were reissued as 2010 Wastewater Treatment System and Trunk Sewer Notes of \$24,750,000 bearing a rate of 1.25%. These notes were issued to finance the cost of acquiring certain improvements of a sewage collection system and trunk line. These notes will be retired from the Sewer Fund.

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. \$1,646,385 was outstanding as of December 31, 2009. Bonds bear an interest rate from 5.00 to 5.50%. These bonds will be retired from the City's Water and Sewer funds.

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.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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

Restricted Assets Held by City	
Water Replacement and Improvement	\$4,196,642

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. Bonds bear an interest rate from 2.40 to 5.10%. These bonds will be retired from the City's Water Fund.

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. Bonds bear an interest rate from 2.00 to 4.50%. These bonds will be retired from the City's Water Fund.

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. Bonds bear an interest rate from 4.00 to 5.25%. These bonds will be retired from the City's Sewer Fund.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - 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. Bonds bear an interest rate from 4.00 to 5.00%. These bonds will be retired from the City's Sewer Fund.

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. Bonds bear an interest rate from 3.75 to 5.00%. These bonds will be retired from the City's Sewer Fund.

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, 2009, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$4
Mortgage Revenue Bond Reserve Fund	4,140,211

Restricted assets relating to the water mortgage revenue bonds at December 31, 2009, were as follows:

Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$29
Mortgage Revenue Bond Reserve Fund	303,891

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 \$312,210,413.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - 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 \$21,762,147 at December 31, 2009.

Principal and interest requirements to retire general obligation bonds, and mortgage revenue bonds at December 31, 2009, 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
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	0	0	570,000	231,750	340,000	12,580
2014	0	0	590,000	208,950		
2015-2019	0	0	3,330,000	664,450	0	0
2020	0	0	760,000	38,000	0	0
Totals	<u>\$470,000</u>	<u>\$23,500</u>	<u>\$6,340,000</u>	<u>\$1,946,000</u>	<u>\$1,520,000</u>	<u>\$126,385</u>

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - 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
	2010	165,000	138,695	450,000	279,056	75,000
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	185,000	115,590	495,000	233,193	125,000	969,706
2014	195,000	106,895	515,000	213,393	140,000	965,019
2015-2019	1,125,000	381,893	2,950,000	687,603	995,000	4,721,645
2020-2024	819,583	84,785	1,389,373	91,643	2,980,000	4,394,401
2025-2029	0	0	0	0	4,750,000	3,487,407
2030-2034	0	0	0	0	6,035,000	2,204,950
2035-2038	0	0	0	0	5,910,000	679,500
Totals	<u>\$2,839,583</u>	<u>\$1,083,163</u>	<u>\$6,744,373</u>	<u>\$2,019,988</u>	<u>\$21,220,000</u>	<u>\$20,354,434</u>

Year	2006 Sewer System Mortgage Revenue Improvement		2007 Sewer System Mortgage Revenue Improvement	
	Principal	Interest	Principal	Interest
	2010	250,000	4,124,025	0
2011	710,000	4,114,025	0	1,473,497
2012	765,000	4,087,400	315,000	1,473,498
2013	985,000	4,058,713	330,000	1,460,897
2014	1,030,000	4,009,463	340,000	1,447,698
2015-2019	5,970,000	19,241,115	1,925,000	7,022,487
2020-2024	7,565,000	17,643,814	2,350,000	6,601,410
2025-2029	9,740,000	15,467,077	2,890,000	6,058,138
2030-2034	12,445,000	12,760,190	3,655,000	5,290,125
2035-2039	15,865,000	9,345,590	4,665,000	4,282,575
2040-2044	20,025,000	5,176,314	5,905,000	3,047,362
2045-2047	9,626,922	675,688	9,180,000	1,111,738
Totals	<u>\$84,976,922</u>	<u>\$100,703,400</u>	<u>\$31,555,000</u>	<u>\$40,742,923</u>

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

	2006	
	Ohio Public Works Commission Loans	
Year	Principal	
2010	7,927	
2011	7,927	
2012	7,927	
2013	7,927	
2014	7,927	
2015	2,004	
Totals	\$41,639	

NOTE 17 – SHORT TERM OBLIGATION

A summary of the short-term note transactions for the Debt Service Fund for the year ended December 31, 2009 follows:

Types / Issues	Balance 12/31/08	Issued	Retired	Balance 12/31/09
2009 Street Improvement Notes	\$800,000	\$200,000	\$800,000	\$200,000

On March 5, 2009, the City issued 2.75% Street Improvement Bond Anticipation Notes, Series 2009, in the amount of \$1,200,000. These notes were issued to repay the 2008 Street Improvement Notes of \$2,000,000 to finance various street improvements. On March 4, 2010, the City paid \$200,000 against the note and refinanced \$1,000,000 into a new bond anticipation note. Therefore, the \$1,200,000 liability outstanding at December 31, 2009 is split with \$1,000,000 presented as a long-term liability and \$200,000 presented as a fund liability in the financial statements. The activity related to the long-term obligation portion of the bond anticipation note is presented in Note 16.

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 \$371,450 in the governmental funds. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in 2009 were \$53,874 and \$272, in governmental and enterprise funds, respectively.

	Governmental Activities
Property under Capital Lease	\$371,450
Less Accumulated Depreciation	(86,121)
Total December 31, 2009	\$285,329

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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, 2009:

Year	Governmental Activities
2010	61,733
2011	53,959
2012	53,959
2013	53,959
2014	53,958
2015	53,958
Total	331,526
Less Amount Representing Interest	(44,413)
Present Value of Net Minimum Lease Payments	\$287,113

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.

Mid-Ohio Regional Planning Commission

The City is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 74 representatives appointed by member governments who make up the commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south-central Ohio and a regional planning agency whose membership includes 42 political subdivisions in and around Franklin, Ross, Fayette, Delaware, Pickaway, Madison, Licking, and Fairfield counties, Ohio. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support livability/sustainability measures as a means of addressing regional growth challenges, and to administer and facilitate the availability of regional environmental infrastructure program funding to the full advantage of MORPC's members.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Marysville/Union County Port Authority

The Marysville/Union County Port Authority (the Authority) is a jointly governed organization involving the City of Marysville and Union County. The Authority was established to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture, research, and the creation and preservation of jobs and employment opportunities in Union County. The Authority's Board of Trustees consists of seven members, three appointed by the Mayor of Marysville with the advice and consent of City Council, three appointed by the County Commissioners, and one appointed by the Mayor of Marysville with the advice and consent of the City Council and the County Commissioners.

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, 2009, to December 31, 2009, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 21 - SUBSEQUENT EVENTS

On January 22, 2010, the City issued bond anticipation notes, in the amount of \$3,465,000 to retire notes previously issued, in the amount of \$3,490,000 for the acquisition of water lines, sewer lines, pumping stations, and related equipment from Union County, Ohio. The notes have an interest rate of 1.50 percent and mature on January 21, 2011.

On March 4, 2010, the City issued general obligation bond anticipation notes, in the amount of \$1,000,000, to retire notes previously issued, in the amount of \$1,200,000 for various street resurfacing projects. The notes have an interest rate of 1.75 percent and mature on March 3, 2011.

On May 4, 2010 the residents of the City of Marysville approved a ballot initiative to increase the City's income tax rate from 1 percent to 1.5 percent effective July 1, 2010. The additional 0.5 percent will be segregated for Police, Fire, and Court buildings and operating costs.

On June 2, 2010 the City issued wastewater improvement bond anticipation notes, in the amount of \$24,750,000 to retire notes previously issued, in the amount of \$24,750,000 for various wastewater improvement projects. The notes have an interest rate of 1.25 percent and mature on June 1, 2011.

On August 30, 2010 the City issued Tax Increment Financing (TIF) Notes, in the amount of \$7,005,000, and \$4,975,000, to retire notes previously issued, in the amount of \$7,005,000 and \$4,975,000, respectfully for TIF projects. The notes have an interest rate of 3 percent and 2.875 percent and mature on August 29, 2011.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 22 – RESTATEMENT OF PRIOR YEAR NET ASSETS AND CHANGE IN ACCOUNTING PRESENTATION

Restatement of Prior Year Net Assets

Certain previously reported net assets have been restated to reflect a change in accounting presentation. During the period of construction the City of Marysville segregated financing and capital activities in the Coleman’s Crossing TIF District into two separate Funds to account for the two separate projects. The Coleman’s Crossing TIF Project Fund was used to account for construction activities in the area south-east of Delaware Avenue along Coleman’s Crossing Boulevard. The City Gate TIF Project Fund was used to account for construction activities in the area north of Delaware Avenue. The City previously reported two separate funds used to accumulate resources for the repayment of the debt associated with these projects. The City has since re-examined the agreement establishing the TIF District and determined both projects are part of the same underlying TIF District initially established for the Coleman’s Crossing project. As such, the City has consolidated the financial activities of the City Gate TIF Fund previously reported separately into the Coleman’s Crossing TIF Fund for the period ending December 31, 2009 and for future reporting periods. This restatement had the following effect on previously reported net assets:

	Government- Type Activities	Coleman’s Crossing TIF Fund	City Gate TIF Fund
Net Assets/Fund Balance, December 31, 2008	\$30,256,139	\$17,027	\$ 456
Restatements:			
Fund Consolidation		456	(456)
Net Assets/Fund Balance, Restated, January 1, 2009	\$30,256,139	\$17,483	\$ 0

NOTE 23 – ACCOUNTABILITY AND COMPLIANCE

At December 31, 2009, the following funds had deficit fund balances:

Job Readiness	\$615,216
CDBG Tier II Grant	32,417
General Bond Retirement	42,553

Contrary to Ohio Rev. Code 5705.10 the following funds had negative fund cash balances at December 31, 2009:

Job Readiness	\$401,640
CDBG Tier II Grant	11,584

The General Fund provides transfers/advances when cash is required, not when expenditures are incurred.

**CITY OF MARYSVILLE
UNION COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF DEFENSE			
<i>Passed Through the Corps of Engineers U.S. Army Engineer</i>			
Marysville Wastewater Treatment Facility	2928-009	12.XXX	\$759,351
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development</i>			
HOME Investment Partnerships Program (CHIP Grant)	A-C-07-144-1	14.239	14,871
	A-C-07-144-2	14.239	257,226
	C-07-144-1	14.239	<u>110,217</u>
			382,314
Community Development Block Grants - State's Program (Formula Grant)	A-F-08-144-1	14.228	52,279
	A-T-08-144-1	14.228	<u>11,584</u>
			63,863
Total U.S. Department of Housing and Urban Development			<u><u>446,177</u></u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Fightfighter Assistance Grant	N/A	97.044	34,200
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency</i>			
Disaster Grants - Public Assistance	DR-1805-OH	97.036	68,055
Total U.S. Department of Homeland Security			<u><u>102,255</u></u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$1,307,783</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF MARYSVILLE
UNION COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Marysville, Union County, Ohio (the City's) federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marysville, Union County, Ohio (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 24, 2010. 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 24, 2010.

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, federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 24, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

Compliance

We have audited the compliance of the City of Marysville, Union County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Marysville complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists these instances as Findings 2009-003 and 2009-004.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2009-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2009-003 to be a significant deficiency.

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

We intend this report solely for the information and use of the management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 24, 2010

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	U.S. Army Corp of Engineers - Marysville Wastewater Treatment Facility – CFDA #12.XXX HOME Investment Partnerships Program– CFDA #14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

CITY OF MARYSVILLE
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)

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

FINDING NUMBER	2009-001
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Negative Fund Balances – Noncompliance Finding

Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates money from one fund was used to cover the expenses of another fund. The following funds had negative fund balances as of December 31, 2009:

Fund Description	Fund No.	Negative Fund Balance
CDBG Tier II Grant	21	(11,584.30)
Job Readiness Site Grant	84	(401,639.84)

We recommend the City use monies paid into each fund only for the purpose for which such fund was established.

Official's Response:

The Finance Department closely monitors all funds to ensure that negative fund balances do not occur. Both of the funds that had negative fund balances as of December 31, 2009, were reimbursable grant funds. The negative balances noted in these funds were a result of timing differences. The City had expended the funds as required by the grant, submitted a request for reimbursement, and simply had not received the grant revenue as of December 31, 2009.

CITY OF MARYSVILLE
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)

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

FINDING NUMBER	2009-002
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Financial Reporting – Material Weakness

The City currently has monitoring controls over daily cash-basis transactions entered into the accounting system. At year-end the cash basis information from the accounting system is converted into the Annual Financial Report reported under Generally Accepted Accounting Principles. Accrual information is prepared by the City and input into trial balances and basic financial statements.

Thirty seven modifications or audit adjustments and reclassifications (\$456 to \$38,881,699) were posted to the City's basic financial statements to accurately report account balances. Errors included incorrect asset, liability, equity, revenue, and expenditure/expense classifications and overstatement and understatement of assets and liabilities on the financial statements. The City's financial statements and accounting records have been adjusted to accurately reflect these adjustments and reclassifications. In addition there were forty four audit adjustments and reclassifications that were inconsequential to the overall financial statements of the City and were not posted to the December 31, 2009 financial statements. Furthermore ninety nine journal entries were not posted to the City's trial balances and were required to be made to support the financial statements.

The City is responsible for the presentation of the basic financial statements and accordingly should implement review procedures and controls over the financial statement preparation and reporting processes.

We recommend the City implement additional procedures to provide assurances over the completeness and accuracy of financial information reported within the Annual Financial Report. Such procedures may include review of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Official's Response:

The Finance Department is committed to proper financial reporting and welcomes this opportunity to receive feedback that will continue to ensure accurate financial reports prepared by the City. During the conversion period, both the Finance Director and Assistant Finance Director resigned. For two months, the position of Finance Director was vacant as the City searched for a replacement. The Assistant Finance Director, who historically prepared the financial report, was further burdened with additional tasks and did not devote as much time as traditionally spent on the conversion process.

It is important to note that a number of the items were simply reclassification entries that changed the presentation of these amounts on the financial statements but did not change the total amounts reported in the financial statements. It is also important to note that, while this recommendation addresses the reliability of financial reporting throughout the year, the identified items only impacted amounts converted from the City's cash basis accounting to accrual basis accounting after year-end and did not impact the City's cash financial reporting throughout the year.

The following steps will be implemented to address the items as identified in Finding 2009-002:

- The Finance Department plans to upgrade its financial software. The current system is outdated and investing in a new system will ensure that the department has the adequate controls in place to ensure proper recording of financing transactions.
- The Finance Department will contract out the GAAP conversion process beginning with fiscal year 2010 to a local firm that specializes in municipal GAAP conversions.

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2009-003
CFDA Title and Number	CFDA #14.239 – HOME Investment Partnerships Program
Federal Award Number / Year	Home Investment Partnership Program - A-C-07-144-1 A-C-07-144-2 C-07-144-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Cash Management – Noncompliance Finding/Significant Deficiency

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

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

The City was the recipient of a Home Investment Partnership Program (HOME) Grant obtained through the Ohio Department of Development’s Office of Housing and Community Partnerships (OHCP). Amounts drawn down from these grants were not reduced to \$5,000 within fifteen days of receipt of funds as follows:

Date of Receipt	Amount	Balance on Hand After 15 Days	Approximate Number of Days Until the Balance was reduced to Below \$5,000
1/14/09	\$77,085	\$38,910	103
4/30/09	40,277	7,515	165
6/25/09	41,649	29,281	109
8/31/09	110,334	23,506	42
9/25/09	92,167	105,815	17

We recommend the City implement cash management procedures to disburse HOME grant funds on hand to a balance of less than \$5,000 within fifteen days of receipt.

Official’s Responses and Corrective Action Plan:

The City of Marysville will implement a cash management process to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds.

Responsible official- Finance Director
anticipated completion date- immediate

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

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

Finding Number	2009-004
CFDA Title and Number	CFDA #14.239 – HOME Investment Partnerships Program CFDA #12.XXX - U.S. Army Corp of Engineers - Marysville Wastewater Treatment Facility CFDA #97.036 – Disaster Grants - Public Assistance
Federal Award Number / Year	HOME Investment Partnerships Program - A-C-07-144-1 A-C-07-144-2 C-07-144-1 Marysville Wastewater Treatment Facility - 2928-009 Disaster Grants - Public Assistance - DR-1805-OH
Federal Agency	United States Department of Housing and Urban Development United States Department of Defense United States Department of Homeland Security
Pass-Through Agency	Ohio Department of Development U.S. Army Corp of Engineers Ohio Department of Public Safety

Federal Expenditures Schedule – Noncompliance Finding / Material Weakness

OMB Circular A-133 Section __.300 (d) states that the auditee shall prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with Section __.310. OMB Circular A-133 Section __.310 (b) states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2009-004 (Continued)
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Federal Expenditures Schedule - Noncompliance Finding / Material Weakness (Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

During fiscal year 2009, the City received and spent federal grant monies relating to five federal programs. The following discrepancies existed on the 2009 City-prepared federal schedule:

- The City omitted the U.S. Army Corp of Engineers - Marysville Wastewater Treatment Facility and Disaster Grants - Public Assistance federal programs from the federal schedule with expenditure totaling \$827,406.
- For the programs the City did report, HOME Investment Partnerships Program expenditures were understated by \$96,808.

Errors in the Federal Schedule resulted in inaccurate reporting of the federal awards under OMB Circular A-133 requiring audit adjustments to the federal schedule. The City has adjusted the federal schedule for these errors.

We recommend the City ensure proper reporting of federal expenditures, which includes reporting the proper amount of expenditures; federal awarding agencies; pass-through entity names and numbers (where applicable); and the Catalog of Federal Domestic Assistance (CFDA) numbers. Source documentation should additionally be maintained to support the City's schedule.

Official's Responses and Corrective Action Plan:

The Finance Department is committed to proper financial reporting of federal expenditures. This discrepancy was due to a difference in the reporting of the expenditures. The City reported the expenditures on a GAAP basis when the expenditures should have been on a cash basis.

The following steps will be implemented to address the items as identified in Finding 2009-004:

- The Finance Department will ensure that all future reporting for the Federal Schedule will be on a cash basis.

Responsible official- Finance Director

Anticipated completion date- December 31, 2010 reporting period.

**CITY OF MARYSVILLE
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Bank Reconciliation - improper accounting for the cash basis value of bank accounts in monthly bank to book reconciliations.	Yes	
2008-002	Financial Reporting - recommendation due to adjustments required to be made to the financial statements.	No	Not Corrected – Reissued as 2009-002

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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
SEPTEMBER 30, 2010**