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**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

CITY OF MARION

GRANT COUNTY, INDIANA



**FILED**  
07/31/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	B. Kay Wildoner Cindy Wright	01-01-06 to 07-18-06 07-19-06 to 12-31-07
Clerk	Kathleen A. Kiley	01-01-04 to 12-31-07
Mayor	Wayne W. Seybold	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Ray Harris	01-01-06 to 12-31-07
President of the Common Council	Delmiro Garcia David K. Homer	01-01-06 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion (City), as of and for the year ended December 31, 2006, 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 19, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

June 19, 2007



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

We have audited the financial statements of the City of Marion (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated June 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on June 19, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 19, 2007

CITY OF MARION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,753,797	\$ 4,583,238	\$ 573,561	\$ 379,966	\$ (4,217,032)	\$ -	\$ (4,217,032)
Public safety	11,762,605	222,132	159,941	-	(11,380,532)	-	(11,380,532)
Highways and streets	3,940,364	9,526	1,237,937	277,814	(2,415,087)	-	(2,415,087)
Sanitation	391,000	4,410	-	-	(386,590)	-	(386,590)
Economic development	4,262,622	-	-	1,007,267	(3,255,355)	-	(3,255,355)
Culture and recreation	1,368,792	68,771	99,514	28,968	(1,171,539)	-	(1,171,539)
Interest on long-term debt	695,601	-	-	-	(695,601)	-	(695,601)
Total governmental activities	<u>32,174,781</u>	<u>4,888,077</u>	<u>2,070,953</u>	<u>1,694,015</u>	<u>(23,521,736)</u>	<u>-</u>	<u>(23,521,736)</u>
Business-type activities:							
Water	4,273,539	4,900,665	-	-	-	627,126	627,126
Wastewater	2,774,835	2,283,304	-	-	-	(491,531)	(491,531)
Storm water	2,438,130	1,897,797	-	-	-	(540,333)	(540,333)
Total business-type activities	<u>9,486,504</u>	<u>9,081,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(404,738)</u>	<u>(404,738)</u>
Total primary government	<u>\$ 41,661,285</u>	<u>\$ 13,969,843</u>	<u>\$ 2,070,953</u>	<u>\$ 1,694,015</u>	<u>(23,521,736)</u>	<u>(404,738)</u>	<u>(23,926,474)</u>
General receipts:							
Property taxes					15,311,979	-	15,311,979
Other local sources					4,616,164	-	4,616,164
Bonds and loans					2,950,000	-	2,950,000
Grants and contributions not restricted to specific programs					306,929	-	306,929
Unrestricted investment earnings					668,889	394,583	1,063,472
Total general receipts					<u>23,853,961</u>	<u>394,583</u>	<u>24,248,544</u>
Change in net assets					332,225	(10,155)	322,070
Net assets - beginning					<u>17,531,023</u>	<u>5,687,502</u>	<u>23,218,525</u>
Net assets - ending					<u>\$ 17,863,248</u>	<u>\$ 5,677,347</u>	<u>\$ 23,540,595</u>
<u>Assets</u>							
Cash and investments					\$ 9,147,446	\$ 726,536	\$ 9,873,982
Restricted assets:							
Cash and investments					<u>8,715,802</u>	<u>4,950,811</u>	<u>13,666,613</u>
Total assets					<u>\$ 17,863,248</u>	<u>\$ 5,677,347</u>	<u>\$ 23,540,595</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 1,160,721	\$ -	\$ 1,160,721
Culture and recreation					329,614	-	329,614
Debt service					1,825,296	1,343,798	3,169,094
Construction					5,170,767	-	5,170,767
Other purposes					229,404	3,607,013	3,836,417
Unrestricted					<u>9,147,446</u>	<u>726,536</u>	<u>9,873,982</u>
Total net assets					<u>\$ 17,863,248</u>	<u>\$ 5,677,347</u>	<u>\$ 23,540,595</u>

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

CITY OF MARION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	2005 Park Bond	2006 Bond Anticipation Note	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 13,298,952	\$ -	\$ -	\$ 2,013,027	\$ 15,311,979
Licenses and permits	112,198	-	-	15,186	127,384
Intergovernmental	4,977,528	-	-	2,913,585	7,891,113
Charges for services	266,239	-	-	152,478	418,717
Fines and forfeits	138,237	-	-	22,997	161,234
Other	955,676	150,002	11,161	269,466	1,386,305
<b>Total receipts</b>	<b>19,748,830</b>	<b>150,002</b>	<b>11,161</b>	<b>5,386,739</b>	<b>25,296,732</b>
<b>Disbursements:</b>					
General government	3,806,760	-	-	492,294	4,299,054
Public safety	11,298,872	-	-	272,493	11,571,365
Highways and streets	1,850,129	-	-	1,682,012	3,532,141
Sanitation	291,000	-	-	100,000	391,000
Economic development	175,186	-	2,537,572	1,544,864	4,257,622
Culture and recreation	50,347	-	-	931,875	982,222
Debt service:					
Principal	97,531	-	-	262,818	360,349
Interest	25,215	37,046	61,762	571,578	695,601
Capital outlay:					
General government	-	-	-	313,848	313,848
Highways and streets	-	-	-	271,758	271,758
Culture and recreation	-	386,570	-	-	386,570
<b>Total disbursements</b>	<b>17,595,040</b>	<b>423,616</b>	<b>2,599,334</b>	<b>6,443,540</b>	<b>27,061,530</b>
Excess (deficiency) of receipts over disbursements	2,153,790	(273,614)	(2,588,173)	(1,056,801)	(1,764,798)
<b>Other financing sources (uses)</b>					
Bond proceeds	-	-	2,950,000	-	2,950,000
Transfers in	65,903	-	-	518,006	583,909
Transfers out	(518,006)	-	-	(65,903)	(583,909)
Other receipts	-	-	-	109,620	109,620
<b>Total other financing sources (uses)</b>	<b>(452,103)</b>	<b>-</b>	<b>2,950,000</b>	<b>561,723</b>	<b>3,059,620</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,701,687	(273,614)	361,827	(495,078)	1,294,822
Cash and investment fund balance - beginning	4,957,694	4,949,980	-	6,431,348	16,339,022
Cash and investment fund balance - ending	\$ 6,659,381	\$ 4,676,366	\$ 361,827	\$ 5,936,270	17,633,844
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:					
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					229,404
Net assets of governmental activities					\$ 17,863,248
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ 6,659,381	\$ -	\$ -	\$ 2,488,065	\$ 9,147,446
Restricted assets:					
Cash and investments	-	4,676,366	361,827	3,448,205	8,486,398
<b>Total cash and investment assets - December 31</b>	<b>\$ 6,659,381</b>	<b>\$ 4,676,366</b>	<b>\$ 361,827</b>	<b>\$ 5,936,270</b>	<b>\$ 17,633,844</b>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ 1,160,721	\$ 1,160,721
Culture and recreation	-	-	-	329,614	329,614
Debt service	-	-	-	1,825,296	1,825,296
Construction	-	4,676,366	361,827	132,574	5,170,767
Unrestricted	6,659,381	-	-	2,488,065	9,147,446
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 6,659,381</b>	<b>\$ 4,676,366</b>	<b>\$ 361,827</b>	<b>\$ 5,936,270</b>	<b>\$ 17,633,844</b>

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

CITY OF MARION  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Storm Water Utility	Total	Internal Service Funds
Operating receipts:					
Residential, commercial and industrial sales	\$ 4,188,593	\$ 2,202,155	\$ 1,863,071	\$ 8,253,819	\$ -
Fire protection receipts	576,357	-	-	576,357	-
Other	24,680	69,887	2,425	96,992	4,150,654
<b>Total operating receipts</b>	<b>4,789,630</b>	<b>2,272,042</b>	<b>1,865,496</b>	<b>8,927,168</b>	<b>4,150,654</b>
Operating disbursements:					
Cost of sales and services	1,144,616	483,681	215,135	1,843,432	236,404
Equipment and capital improvements	537,453	596,968	955,542	2,089,963	-
Insurance claims and premiums	108,121	93,061	44,115	245,297	-
Other	321,133	16,370	26,003	363,506	-
Salaries and wages	813,090	982,357	537,533	2,332,980	-
Employee pensions and benefits	419,250	547,955	268,940	1,236,145	-
Insurance benefits	-	-	-	-	4,876,847
<b>Total operating disbursements</b>	<b>3,343,663</b>	<b>2,720,392</b>	<b>2,047,268</b>	<b>8,111,323</b>	<b>5,113,251</b>
Excess (deficiency) of operating receipts over operating disbursements	1,445,967	(448,350)	(181,772)	815,845	(962,597)
Nonoperating receipts (disbursements):					
Interest and investment receipts	125,155	150,527	118,901	394,583	-
Miscellaneous receipts	111,035	11,262	32,301	154,598	-
Debt service of principal	(795,000)	-	(271,407)	(1,066,407)	-
Interest and investment disbursement	(63,042)	-	(118,551)	(181,593)	-
Miscellaneous disbursements	(71,834)	(54,443)	(904)	(127,181)	-
<b>Total nonoperating receipts (disbursements)</b>	<b>(693,686)</b>	<b>107,346</b>	<b>(239,660)</b>	<b>(826,000)</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	752,281	(341,004)	(421,432)	(10,155)	(962,597)
Cash and investment fund balance - beginning	1,457,407	2,348,809	1,881,286	5,687,502	1,192,001
Cash and investment fund balance - ending	\$ 2,209,688	\$ 2,007,805	\$ 1,459,854	\$ 5,677,347	\$ 229,404
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ 294,500	\$ 258,450	\$ 173,586	\$ 726,536	\$ -
Restricted assets:					
Cash and investments	1,915,188	1,749,355	1,286,268	4,950,811	229,404
<b>Total cash and investment assets - December 31</b>	<b>\$ 2,209,688</b>	<b>\$ 2,007,805</b>	<b>\$ 1,459,854</b>	<b>\$ 5,677,347</b>	<b>\$ 229,404</b>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Debt service	\$ 480,301	\$ -	\$ 863,497	\$ 1,343,798	\$ -
Other purposes	1,434,887	1,749,355	422,771	3,607,013	229,404
Unrestricted	294,500	258,450	173,586	726,536	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 2,209,688</b>	<b>\$ 2,007,805</b>	<b>\$ 1,459,854</b>	<b>\$ 5,677,347</b>	<b>\$ 229,404</b>

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

CITY OF MARION  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 1,912,805	\$ -	\$ -
Plan members	1,862	-	-
Other	<u>615</u>	<u>19,585</u>	<u>-</u>
Total contributions	<u>1,915,282</u>	<u>19,585</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>13,029,846</u>
Total additions	<u>1,915,282</u>	<u>19,585</u>	<u>13,029,846</u>
Deductions:			
Benefits	2,287,559	-	-
Administrative and general	13,037	9,597	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>13,403,792</u>
Total deductions	<u>2,300,596</u>	<u>9,597</u>	<u>13,403,792</u>
Excess (deficiency) of total additions over total deductions	(385,314)	9,988	(373,946)
Cash and investment fund balance - beginning	<u>1,958,290</u>	<u>12,898</u>	<u>1,038,175</u>
Cash and investment fund balance - ending	<u>\$ 1,572,976</u>	<u>\$ 22,886</u>	<u>\$ 664,229</u>

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

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water and urban redevelopment and housing.

The City (primary government) is the financial reporting entity.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2005 park bond fund accounts for bond proceeds which are used to construct and equip certain recreational capital improvements.

The 2006 bond anticipation note fund accounts for bond proceeds which are used for land acquisition and road improvements.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the City reports the following fund types:

The internal service funds account for fuel sales and health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit public safety issues.

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and its proprietary funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
Victims Advocacy Grant	\$ 898
Parking Enforcement	3,234
FEMA Fire Gear	192
IDOT	4,009

Cash and investment deficits arose primarily from disbursements exceeding receipts due to grant expenditures being paid before the grant funds were received and the underestimate of current requirements. These deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2006, bank balances held at Star Financial Bank in the amount of \$9,941,826 and Salin Bank and Trust Company in the amount of \$851,205 were collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-City's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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 does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
General Fund	Other governmental	\$ 518,006
Other governmental	General Fund	65,903
Total		\$ 583,909

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent the reclassification of a fund to more accurately reflect its purpose.

Opinion Unit	Balance as Reported December 31, 2005	Fund Reclassification	Balance as Restated January 1, 2006
Governmental funds	\$ 16,649,532	\$ (310,510)	\$ 16,339,022
Agency funds	727,665	310,510	1,038,175

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. 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; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Conduit Debt Obligation

From time to time, the City has issued Economic Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements.

As of December 31, 2006, there were three series of Economic Development Revenue Bonds outstanding with an aggregate principal amount payable of \$3,950,000.

2005 Winterfield Project Series A	\$ 500,000
2006 Active Products, LLC Series A	2,950,000
2006 JSG Processing, Inc Series B	<u>500,000</u>
Total	<u>\$ 3,950,000</u>

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining 20 years of service or incurs a job related disability. Currently, 24 retirees meet these eligibility requirements. The City provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, disbursements of \$220,740 were recognized for postemployment benefits.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Loans Receivable – Indiana Department of Commerce

Year of Loan	Borrower	Original Loan Amount	Interest Rate	Outstanding Balance December 31, 2006
1999	Carroll Container	\$ 200,000	5.25%	\$ 84,320
2002	NX Communication	200,000	5.25%	161,041
2002	Tranco of Marion	200,000	5.25%	22,183
Total				<u>\$ 267,544</u>

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 30, 2005.

Wastewater Utility

The current rate structure was approved by the Common Council on December 17, 1991.

Storm Water Utility

The current rate structure was approved by the Common Council on November 16, 1994.

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 348,918	\$ 2,112,400	\$ 2,673,200
Interest on net pension obligation	(13,684)	364,600	515,300
Adjustment to annual required contribution	15,594	(637,000)	(900,300)
Annual pension cost	350,828	1,840,000	2,288,200
Contributions made	311,023	728,345	902,720
Increase in net pension obligation	39,805	1,111,655	1,385,480
Net pension obligation, beginning of year	(188,743)	5,401,632	7,634,522
Net pension obligation, end of year	\$ (148,938)	\$ 6,513,287	\$ 9,020,002

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.50%	N/A	1,288%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

N/A = Not available

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

\*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 266,525	100%	\$ (181,051)
	06-30-05	277,580	103%	(188,743)
	06-30-06	350,828	112%	(148,938)
1925 Police Officers' Pension Plan	12-31-02	1,715,300	72%	4,350,700
	12-31-03	1,766,700	41%	5,401,632
	12-31-04	1,840,000	40%	6,513,287
1937 Firefighters' Pension Plan	12-31-02	2,272,600	63%	6,243,510
	12-31-03	2,262,000	39%	7,634,522
	12-31-04	2,288,200	39%	9,020,002

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Retirees and beneficiaries currently receiving benefits	63	80
Current active employees	-	6

CITY OF MARION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$1,204,769, \$1,050,663, and \$970,484, respectively, equal to the required contributions for each year.

CITY OF MARION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 5,854,545	\$ 6,026,559	\$ (172,014)	97%	\$ 5,567,291	(3%)
07-01-05	6,079,068	6,935,712	(856,644)	88%	5,630,762	(15%)
07-01-06	7,154,625	7,475,880	(321,255)	96%	5,864,730	(5%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 572,299	\$ 19,592,800	\$ (19,020,501)	3%	\$ 62,200	(30,580%)
01-01-01	646,351	18,945,500	(18,299,149)	3%	64,100	(28,548%)
01-01-02	1,327,716	17,755,900	(16,428,184)	7%	66,000	(24,891%)
01-01-03	1,511,294	15,488,000	(13,976,706)	10%	66,000	(21,177%)
01-01-04	1,183,872	18,345,700	(17,161,828)	6%	70,600	(24,309%)
01-01-05	751,351	16,840,600	(16,089,249)	4%	No covered payroll	

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 666,936	\$ 24,299,200	\$ (23,632,264)	3%	\$ 243,800	(9,693%)
01-01-01	631,274	24,368,000	(23,736,726)	3%	219,800	(10,799%)
01-01-02	1,517,394	23,305,600	(21,788,206)	7%	226,300	(9,628%)
01-01-03	1,664,171	19,005,000	(17,340,829)	9%	265,600	(6,529%)
01-01-04	1,249,868	22,879,500	(21,629,632)	5%	242,200	(8,930%)
01-01-05	701,054	21,570,800	(20,869,746)	3%	207,600	(10,053%)

CITY OF MARION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-99	\$ 1,817,800	29%	32%
	12-31-00	1,923,900	27%	32%
	12-31-01	1,924,400	26%	63%
	12-31-02	1,872,200	26%	40%
	12-31-03	1,962,900	3%	33%
	12-31-04	2,112,400	3%	31%
1937 Firefighters' Pension Plan	12-31-99	2,361,700	23%	28%
	12-31-00	2,429,400	22%	29%
	12-31-01	2,510,000	26%	60%
	12-31-02	2,492,000	20%	37%
	12-31-03	2,543,700	3%	31%
	12-31-04	2,673,200	3%	31%

CITY OF MARION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Aviation Commission	Park Nonreverting Operating	Park and Recreation	Law Enforcement Continuing Education	Animal Control	Economic Development Commission
Receipts:								
Taxes	\$ 742,273	\$ -	\$ 151,540	\$ -	\$ 209,816	\$ -	\$ -	\$ -
Licenses and permits	9,325	-	-	-	-	5,185	201	475
Intergovernmental	1,237,937	277,814	4,868	-	6,588	-	-	-
Charges for services	-	-	-	34,657	5,498	28,251	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	50	-	-	109,774	943	3,252	-	-
<b>Total receipts</b>	<b>1,989,585</b>	<b>277,814</b>	<b>156,408</b>	<b>144,431</b>	<b>222,845</b>	<b>36,688</b>	<b>201</b>	<b>475</b>
Disbursements:								
General government	-	-	239,151	-	-	-	-	-
Public safety	-	-	-	-	-	73,527	-	-
Highways and streets	1,366,753	315,259	-	-	-	-	-	-
Sanitation	100,000	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	108,013	823,862	-	-	-
Debt service:								
Principal	48,069	8,396	-	-	-	-	-	-
Interest	6,686	1,345	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,521,508</b>	<b>325,000</b>	<b>239,151</b>	<b>108,013</b>	<b>823,862</b>	<b>73,527</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	468,077	(47,186)	(82,743)	36,418	(601,017)	(36,839)	201	475
Other financing sources (uses)								
Transfers in	-	-	88,513	-	429,493	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>88,513</b>	<b>-</b>	<b>429,493</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	468,077	(47,186)	5,770	36,418	(171,524)	(36,839)	201	475
Cash and investment fund balance - beginning	473,313	266,517	145,346	48,170	416,550	78,705	-	3,893
Cash and investment fund balance - ending	<u>\$ 941,390</u>	<u>\$ 219,331</u>	<u>\$ 151,116</u>	<u>\$ 84,588</u>	<u>\$ 245,026</u>	<u>\$ 41,866</u>	<u>\$ 201</u>	<u>\$ 4,368</u>
<b><u>Cash and Investment Assets - December 31</u></b>								
Cash and investments	\$ -	\$ -	\$ 151,116	\$ -	\$ -	\$ 41,866	\$ 201	\$ 4,368
Restricted assets:								
Cash and investments	941,390	219,331	-	84,588	245,026	-	-	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 941,390</b>	<b>\$ 219,331</b>	<b>\$ 151,116</b>	<b>\$ 84,588</b>	<b>\$ 245,026</b>	<b>\$ 41,866</b>	<b>\$ 201</b>	<b>\$ 4,368</b>
Restricted for:								
Highways and streets	\$ 941,390	\$ 219,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	84,588	245,026	-	-	-
Debt service	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Unrestricted	-	-	151,116	-	-	41,866	201	4,368
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 941,390</b>	<b>\$ 219,331</b>	<b>\$ 151,116</b>	<b>\$ 84,588</b>	<b>\$ 245,026</b>	<b>\$ 41,866</b>	<b>\$ 201</b>	<b>\$ 4,368</b>

CITY OF MARION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Unsafe Building	Reduce Drunk Driving	Environmental Public Nuisance	Abandoned Vehicle	Victims Advocacy Grant	Emergency Gas Award	Juvenile Assistance Grant	Parking Enforcement
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	37,499	-	-	34,714	-	-	-
Charges for services	7,400	-	19,518	490	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	10,171
Other	-	-	-	-	-	-	-	-
Total receipts	7,400	37,499	19,518	490	34,714	-	-	10,171
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	3,400	43,029	19,257	120	35,111	-	-	15,064
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Total disbursements	3,400	43,029	19,257	120	35,111	-	-	15,064
Excess (deficiency) of receipts over disbursements	4,000	(5,530)	261	370	(397)	-	-	(4,893)
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,000	(5,530)	261	370	(397)	-	-	(4,893)
Cash and investment fund balance - beginning	2,793	10,746	4,923	6,222	(501)	2,900	221	1,659
Cash and investment fund balance - ending	<u>\$ 6,793</u>	<u>\$ 5,216</u>	<u>\$ 5,184</u>	<u>\$ 6,592</u>	<u>\$ (898)</u>	<u>\$ 2,900</u>	<u>\$ 221</u>	<u>\$ (3,234)</u>
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	\$ 6,793	\$ 5,216	\$ 5,184	\$ 6,592	\$ (898)	\$ 2,900	\$ 221	\$ (3,234)
Restricted assets:								
Cash and investments	-	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 6,793</u>	<u>\$ 5,216</u>	<u>\$ 5,184</u>	<u>\$ 6,592</u>	<u>\$ (898)</u>	<u>\$ 2,900</u>	<u>\$ 221</u>	<u>\$ (3,234)</u>
Restricted for:								
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Unrestricted	6,793	5,216	5,184	6,592	(898)	2,900	221	(3,234)
Total cash and investment fund balance - December 31	<u>\$ 6,793</u>	<u>\$ 5,216</u>	<u>\$ 5,184</u>	<u>\$ 6,592</u>	<u>\$ (898)</u>	<u>\$ 2,900</u>	<u>\$ 221</u>	<u>\$ (3,234)</u>

CITY OF MARION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Public Works Scrapping	AFT Grants	Supplemental Adult Probation Services	Investment Incentive Recaptured	FEMA Fire Gear	IHFA Grant	Disaster Relief	IDOT
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	4,742	-	3,684	-	-	37,661	9,568
Charges for services	-	-	-	8,566	-	-	-	-
Fines and forfeits	-	-	12,826	-	-	-	-	-
Other	-	-	-	23,828	-	-	-	-
Total receipts	-	4,742	12,826	36,078	-	-	37,661	9,568
Disbursements:								
General government	-	-	-	102,974	-	-	-	102,640
Public safety	-	9,279	12,078	-	-	-	38,163	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Total disbursements	-	9,279	12,078	102,974	-	-	38,163	102,640
Excess (deficiency) of receipts over disbursements	-	(4,537)	748	(66,896)	-	-	(502)	(93,072)
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(65,903)
Other receipts	-	-	-	109,620	-	-	-	-
Total other financing sources (uses)	-	-	-	109,620	-	-	-	(65,903)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,537)	748	42,724	-	-	(502)	(158,975)
Cash and investment fund balance - beginning	688	22,373	3,470	836,299	(192)	1,943	28,090	154,966
Cash and investment fund balance - ending	<u>\$ 688</u>	<u>\$ 17,836</u>	<u>\$ 4,218</u>	<u>\$ 879,023</u>	<u>\$ (192)</u>	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (4,009)</u>
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	\$ 688	\$ 17,836	\$ 4,218	\$ 879,023	\$ (192)	\$ 1,943	\$ 27,588	\$ (4,009)
Restricted assets:								
Cash and investments	-	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 688</u>	<u>\$ 17,836</u>	<u>\$ 4,218</u>	<u>\$ 879,023</u>	<u>\$ (192)</u>	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (4,009)</u>
Restricted for:								
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Unrestricted	688	17,836	4,218	879,023	(192)	1,943	27,588	(4,009)
Total cash and investment fund balance - December 31	<u>\$ 688</u>	<u>\$ 17,836</u>	<u>\$ 4,218</u>	<u>\$ 879,023</u>	<u>\$ (192)</u>	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (4,009)</u>

CITY OF MARION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Federal Equitable Sharing Program	Justice Assistance Grant	Special Projects Engineering	Special Park Revolving	Industrial Development	2005 Revenue Refund Bond	Marion Redevelopment Bond - Dunhams	City Bond and Interest
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,941
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	7,746	16,125	-	-	613,647	284,000	-	8,084
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	5	-	-	-	-	64,088	8	-
Total receipts	7,751	16,125	-	-	613,647	348,088	8	240,025
Disbursements:								
General government	-	-	-	-	-	-	-	500
Public safety	7,746	15,719	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	1,012	1,543,852	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	156,331	29,479	49,168
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Total disbursements	7,746	15,719	-	-	1,012	1,700,183	29,479	49,668
Excess (deficiency) of receipts over disbursements	5	406	-	-	612,635	(1,352,095)	(29,471)	190,357
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5	406	-	-	612,635	(1,352,095)	(29,471)	190,357
Cash and investment fund balance - beginning	-	-	591	605	12,510	2,951,877	29,475	-
Cash and investment fund balance - ending	\$ 5	\$ 406	\$ 591	\$ 605	\$ 625,145	\$ 1,599,782	\$ 4	\$ 190,357
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	\$ 5	\$ 406	\$ 591	\$ 605	\$ 625,145	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	-	-	-	-	-	1,599,782	4	190,357
Total cash and investment assets - December 31	\$ 5	\$ 406	\$ 591	\$ 605	\$ 625,145	\$ 1,599,782	\$ 4	\$ 190,357
Restricted for:								
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	1,599,782	4	190,357
Construction	-	-	-	-	-	-	-	-
Unrestricted	5	406	591	605	625,145	-	-	-
Total cash and investment fund balance - December 31	\$ 5	\$ 406	\$ 591	\$ 605	\$ 625,145	\$ 1,599,782	\$ 4	\$ 190,357

CITY OF MARION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Park Bond	Cumulative Capital Improvement	CREED Roadway	Airport Capital Improvement	Washington Street Economic Development	Cumulative Capital Development	Water Loop Improvements	Totals
<b>Receipts:</b>								
Taxes	\$ 272,580	\$ -	\$ -	\$ -	\$ 2,891	\$ 401,986	\$ -	\$ 2,013,027
Licenses and permits	-	-	-	-	-	-	-	15,186
Intergovernmental	8,436	111,891	-	195,566	-	13,015	-	2,913,585
Charges for services	-	-	-	48,098	-	-	-	152,478
Fines and forfeits	-	-	-	-	-	-	-	22,997
Other	-	2,460	-	13,000	3,108	-	48,950	269,466
<b>Total receipts</b>	<b>281,016</b>	<b>114,351</b>	<b>-</b>	<b>256,664</b>	<b>5,999</b>	<b>415,001</b>	<b>48,950</b>	<b>5,386,739</b>
<b>Disbursements:</b>								
General government	-	-	-	-	-	-	47,029	492,294
Public safety	-	-	-	-	-	-	-	272,493
Highways and streets	-	-	-	-	-	-	-	1,682,012
Sanitation	-	-	-	-	-	-	-	100,000
Economic development	-	-	-	-	-	-	-	1,544,864
Culture and recreation	-	-	-	-	-	-	-	931,875
Debt service:								
Principal	-	-	-	27,644	5,000	173,709	-	262,818
Interest	245,863	-	-	9,170	11,210	62,326	-	571,578
Capital outlay:								
General government	-	76,630	-	237,218	-	-	-	313,848
Highways and streets	-	116,759	-	-	-	154,999	-	271,758
<b>Total disbursements</b>	<b>245,863</b>	<b>193,389</b>	<b>-</b>	<b>274,032</b>	<b>16,210</b>	<b>391,034</b>	<b>47,029</b>	<b>6,443,540</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>35,153</b>	<b>(79,038)</b>	<b>-</b>	<b>(17,368)</b>	<b>(10,211)</b>	<b>23,967</b>	<b>1,921</b>	<b>(1,056,801)</b>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	518,006
Transfers out	-	-	-	-	-	-	-	(65,903)
Other receipts	-	-	-	-	-	-	-	109,620
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,723</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>35,153</b>	<b>(79,038)</b>	<b>-</b>	<b>(17,368)</b>	<b>(10,211)</b>	<b>23,967</b>	<b>1,921</b>	<b>(495,078)</b>
Cash and investment fund balance - beginning	-	217,257	156	148,021	10,467	551,295	-	6,431,348
Cash and investment fund balance - ending	<u>\$ 35,153</u>	<u>\$ 138,219</u>	<u>\$ 156</u>	<u>\$ 130,653</u>	<u>\$ 256</u>	<u>\$ 575,262</u>	<u>\$ 1,921</u>	<u>\$ 5,936,270</u>
<u><b>Cash and Investment Assets - December 31</b></u>								
Cash and investments	\$ -	\$ 138,219	\$ 156	\$ -	\$ 256	\$ 575,262	\$ -	\$ 2,488,065
Restricted assets:								
Cash and investments	35,153	-	-	130,653	-	-	1,921	3,448,205
<b>Total cash and investment assets - December 31</b>	<u>\$ 35,153</u>	<u>\$ 138,219</u>	<u>\$ 156</u>	<u>\$ 130,653</u>	<u>\$ 256</u>	<u>\$ 575,262</u>	<u>\$ 1,921</u>	<u>\$ 5,936,270</u>
<b>Restricted for:</b>								
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,160,721
Culture and recreation	-	-	-	-	-	-	-	329,614
Debt service	35,153	-	-	-	-	-	-	1,825,296
Construction	-	-	-	130,653	-	-	1,921	132,574
Unrestricted	-	138,219	156	-	256	575,262	-	2,488,065
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 35,153</u>	<u>\$ 138,219</u>	<u>\$ 156</u>	<u>\$ 130,653</u>	<u>\$ 256</u>	<u>\$ 575,262</u>	<u>\$ 1,921</u>	<u>\$ 5,936,270</u>

CITY OF MARION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 INTERNAL SERVICE FUNDS  
 As of and for the Year Ended December 31, 2006

	<u>Group Gasoline</u>	<u>Insurance Reserve</u>	<u>Total</u>
Operating receipts:			
Other	\$ 247,889	\$ 3,902,765	\$ 4,150,654
Operating disbursements:			
Cost of sales and services	236,404	-	236,404
Insurance benefits	<u>-</u>	<u>4,876,847</u>	<u>4,876,847</u>
Total operating disbursements	<u>236,404</u>	<u>4,876,847</u>	<u>5,113,251</u>
Excess (deficiency) of receipts over disbursements	11,485	(974,082)	(962,597)
Cash and investment fund balance - beginning	<u>133</u>	<u>1,191,868</u>	<u>1,192,001</u>
Cash and investment fund balance - ending	<u>\$ 11,618</u>	<u>\$ 217,786</u>	<u>\$ 229,404</u>
<u>Cash and Investment Assets - December 31</u>			
Restricted assets:			
Cash and investments	<u>\$ 11,618</u>	<u>\$ 217,786</u>	<u>\$ 229,404</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	<u>\$ 11,618</u>	<u>\$ 217,786</u>	<u>\$ 229,404</u>

CITY OF MARION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2006

	Firefighters' Pension	Police Pension	Total
Additions:			
Contributions:			
Employer	\$ 1,194,466	\$ 718,339	\$ 1,912,805
Plan members	1,862	-	1,862
Other	-	615	615
	<u>1,196,328</u>	<u>718,954</u>	<u>1,915,282</u>
Total additions			
Deductions:			
Benefits	1,287,555	1,000,004	2,287,559
Administrative and general	4,380	8,657	13,037
	<u>1,291,935</u>	<u>1,008,661</u>	<u>2,300,596</u>
Total deductions			
Deficiency of total additions under total deductions	(95,607)	(289,707)	(385,314)
Cash and investment fund balance - beginning	<u>916,043</u>	<u>1,042,247</u>	<u>1,958,290</u>
Cash and investment fund balance - ending	<u>\$ 820,436</u>	<u>\$ 752,540</u>	<u>\$ 1,572,976</u>

CITY OF MARION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2006

	Fire Department Donation	Police Department Donation	City Donation	Total
Additions:				
Contributions:				
Other	\$ 6,137	\$ 11,948	\$ 1,500	\$ 19,585
Deductions:				
Other	50	8,417	1,130	9,597
Excess of total additions over total deductions	6,087	3,531	370	9,988
Cash and investment fund balance - beginning	3,775	5,932	3,191	12,898
Cash and investment fund balance - ending	<u>\$ 9,862</u>	<u>\$ 9,463</u>	<u>\$ 3,561</u>	<u>\$ 22,886</u>

CITY OF MARION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>City Clerk</u>	<u>City Court Probation</u>	<u>User Fee</u>	<u>Payroll</u>	<u>1977 Fire Pension</u>	<u>1977 Police Pension</u>
Additions:						
Agency fund additions	\$ 703,087	\$ 68,281	\$ 7,116	\$ 11,518,088	\$ 52,254	\$ 55,670
Deductions:						
Agency fund deductions	<u>703,895</u>	<u>68,281</u>	<u>408</u>	<u>11,932,233</u>	<u>63,548</u>	<u>63,401</u>
Excess (deficiency) of total additions over total deductions	(808)	-	6,708	(414,145)	(11,294)	(7,731)
Cash and investment fund balance - beginning	<u>144,491</u>	<u>-</u>	<u>5,476</u>	<u>471,658</u>	<u>27,456</u>	<u>14,384</u>
Cash and investment fund balance - ending	<u>\$ 143,683</u>	<u>\$ -</u>	<u>\$ 12,184</u>	<u>\$ 57,513</u>	<u>\$ 16,162</u>	<u>\$ 6,653</u>

CITY OF MARION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	<u>Court Costs and Fines Due State</u>	<u>Court Costs Due County</u>	<u>Employees Flexible Spending Account</u>	<u>TIF Allocation</u>	<u>Total</u>
Additions:					
Agency fund additions	\$ 25,936	\$ 41,236	\$ 112,377	\$ 445,801	\$ 13,029,846
Deductions:					
Agency fund deductions	<u>25,936</u>	<u>41,236</u>	<u>102,881</u>	<u>401,973</u>	<u>13,403,792</u>
Excess (deficiency) of total additions over total deductions	-	-	9,496	43,828	(373,946)
Cash and investment fund balance - beginning	<u>2,567</u>	<u>2,636</u>	<u>58,997</u>	<u>310,510</u>	<u>1,038,175</u>
Cash and investment fund balance - ending	<u>\$ 2,567</u>	<u>\$ 2,636</u>	<u>\$ 68,493</u>	<u>\$ 354,338</u>	<u>\$ 664,229</u>

CITY OF MARION  
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City office listed below:

City of Marion Municipal Utilities

CITY OF MARION  
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Financial Report (CTAR) for 2006 was not in agreement with the supporting records. The detail of receipts (Part 2 - "Receipt Report - Actual Receipts by Fund") contained an unidentified receipt category entitled "adjustment" for nine funds. These adjustment amounts ranged from \$80 (Environmental Public Nuisance) to \$460,859 (General Fund). A similar comment appeared in prior Report B27151.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CONDITION OF RECORDS

Financial records presented for audit were inconsistent between reports generated. Annual totals of fund receipts, disbursements and ending balances presented on one "Cross Fund Report" did not agree with the same type of totals on another "Cross Fund Report." Variances could not be readily identified and corrected, resulting in excessive amounts of staff time to produce financial reports. A similar comment appeared in prior Report B27151.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS – PAYROLL FUND

Financial records presented for audit were not reflective of the activity of the Payroll Fund. The records presented did not provide sufficient information to audit receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. A similar comment appeared in prior Report B27151.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Marion (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 19, 2007

CITY OF MARION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607	FY2005	\$ 1,850
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	05VA039 06VA041	16,946 <u>16,528</u>
Total for program			<u>33,474</u>
Pass-Through Grant County Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX1196	<u>15,719</u>
Total for federal grantor agency			<u>51,043</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Federal Transit Cluster			
Federal Transit - Formula Grants	20.507		
Operating Assistance		1802406O	286,248
Fare Rebate		18Y2406O	2,297
Administration and Marketing		18Y2406C	<u>9,600</u>
Total for program			<u>298,145</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster			
State and Community Highway Safety	20.600		
		PT-06-04-07-13	9,000
		J8-06-04-04-01	8,552
		PT-07-04-01-22	<u>3,000</u>
Total for program			<u>20,552</u>
Direct Grant			
Airport Improvement Program	20.106		
		3-18-0053-09	5,391
		3-18-0053-10	122,853
		3-18-0053-11	<u>50,000</u>
Total for program			<u>178,244</u>
Total for federal grantor agency			<u>496,941</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Relief	Unknown	Hurricane Relief	<u>79,734</u>
Total for federal grantor agency			<u>79,734</u>
Total federal awards expended			<u>\$ 627,718</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MARION  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Marion (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF MARION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

CFDA Number	<u>Name of Federal Program or Cluster</u>
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Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF MARION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MARION  
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2007, with Wayne W. Seybold, Mayor; B. Kay Wildoner, former Controller; and Cindy Wright, Controller.