

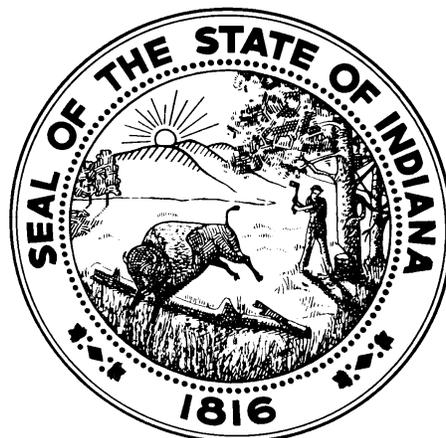
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF MARION

GRANT COUNTY, INDIANA



FILED

10/13/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Cindy Wright	01-01-08 to 12-31-09
Clerk	Kathleen A. Kiley	01-01-08 to 12-31-11
Mayor	Wayne W. Seybold	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Ray Harris	01-01-08 to 12-31-09
President of the Common Council	Reggial E. Nevels James F. Brunner	01-01-08 to 12-31-08 01-01-09 to 12-31-09



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, 2008, 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, 2008, 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 September 29, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

The Schedules of Funding Progress and Schedules 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.

The City provides postemployment health insurance benefits to eligible retirees. The City has not provided an actuarial study to determine the City's annual postemployment benefit costs in accordance with GASB Statement 45.

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, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts 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. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 29, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

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 Marion (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common Council, 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

September 29, 2009

CITY OF MARION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 7,920,162	\$ 381,710	\$ 615,171	\$ 1,900,444	\$ (5,022,837)	\$ -	\$ (5,022,837)
Public safety	14,009,604	348,641	107,231	-	(13,553,732)	-	(13,553,732)
Highways and streets	3,289,938	7,900	887,859	257,925	(2,136,254)	-	(2,136,254)
Sanitation	1,306,053	1,425	-	-	(1,304,628)	-	(1,304,628)
Economic development	2,112,182	-	-	917,628	(1,194,554)	-	(1,194,554)
Culture and recreation	1,750,340	257,326	119,757	39,794	(1,333,463)	-	(1,333,463)
Interest on long-term debt	817,328	-	-	-	(817,328)	-	(817,328)
Total governmental activities	31,205,607	997,002	1,730,018	3,115,791	(25,362,796)	-	(25,362,796)
Business-type activities:							
Water	4,708,957	4,999,067	-	-	-	290,110	290,110
Wastewater	2,644,609	2,325,806	-	-	-	(318,803)	(318,803)
Storm water	1,804,078	1,922,189	-	-	-	118,111	118,111
Total business-type activities	9,157,644	9,247,062	-	-	-	89,418	89,418
Total primary government	\$ 40,363,251	\$ 10,244,064	\$ 1,730,018	\$ 3,115,791	(25,362,796)	89,418	(25,273,378)
General receipts:							
Property taxes					13,611,771	-	13,611,771
Other local sources					4,413,335	-	4,413,335
Bonds and loans					1,164,039	-	1,164,039
Grants and contributions not restricted to specific programs					298,216	-	298,216
Unrestricted investment earnings					148,144	222,313	370,457
Total general receipts					19,635,505	222,313	19,857,818
Change in net assets					(5,727,291)	311,731	(5,415,560)
Net assets - beginning					13,535,316	5,294,306	18,829,622
Net assets - ending					\$ 7,808,025	\$ 5,606,037	\$ 13,414,062
<u>Assets</u>							
Cash and investments					\$ 6,927,146	\$ 673,090	\$ 7,600,236
Restricted assets:							
Cash and investments					880,879	4,932,947	5,813,826
Total assets					\$ 7,808,025	\$ 5,606,037	\$ 13,414,062
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 185,818	\$ -	\$ 185,818
Culture and recreation					(25,305)	-	(25,305)
Debt service					735,097	913,736	1,648,833
Construction					596,630	-	596,630
Other purposes					(611,361)	4,019,211	3,407,850
Unrestricted					6,927,146	673,090	7,600,236
Total net assets					\$ 7,808,025	\$ 5,606,037	\$ 13,414,062

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, 2008

	General	Industrial Development	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 11,645,070	\$ -	\$ 1,966,701	\$ 13,611,771
Licenses and permits	120,100	-	17,980	138,080
Intergovernmental	5,170,966	843,301	3,226,060	9,240,327
Charges for services	191,930	-	528,006	719,936
Fines and forfeits	119,378	-	16,008	135,386
Other	238,963	-	201,737	440,700
Total receipts	17,486,407	843,301	5,956,492	24,286,200
Disbursements:				
General government	4,683,371	-	574,350	5,257,721
Public safety	13,049,271	-	415,629	13,464,900
Highways and streets	831,070	-	2,088,492	2,919,562
Sanitation	1,306,053	-	-	1,306,053
Economic development	228,798	1,555,174	158,210	1,942,182
Culture and recreation	51,176	-	1,398,504	1,449,680
Debt service:				
Principal	174,981	-	688,893	863,874
Interest	24,854	-	792,474	817,328
Capital outlay:				
General government	-	-	1,829,000	1,829,000
Public safety	-	-	300,746	300,746
Highways and streets	-	-	225,849	225,849
Culture and recreation	-	-	140,660	140,660
Total disbursements	20,349,574	1,555,174	8,612,807	30,517,555
Deficiency of receipts over disbursements	(2,863,167)	(711,873)	(2,656,315)	(6,231,355)
Other financing sources (uses):				
Bond proceeds	742,500	-	421,539	1,164,039
Transfers in	1,000,000	1,000,000	-	2,000,000
Transfers out	(1,000,000)	(1,000,000)	-	(2,000,000)
Other receipts	-	-	28,077	28,077
Total other financing sources (uses)	742,500	-	449,616	1,192,116
Deficiency of receipts and other financing sources over disbursements and other financing uses	(2,120,667)	(711,873)	(2,206,699)	(5,039,239)
Cash and investment fund balance - beginning	4,957,204	2,707,941	5,793,480	13,458,625
Cash and investment fund balance - ending	<u>\$ 2,836,537</u>	<u>\$ 1,996,068</u>	<u>\$ 3,586,781</u>	8,419,386
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.				
				(611,361)
Net assets of governmental activities				<u>\$ 7,808,025</u>
Cash and Investment Assets - December 31				
Cash and investments	\$ 2,836,537	\$ -	\$ 2,094,541	\$ 4,931,078
Restricted assets:				
Cash and investments	-	1,996,068	1,492,240	3,488,308
Total cash and investment assets - December 31	\$ 2,836,537	\$ 1,996,068	\$ 3,586,781	\$ 8,419,386
Cash and Investment Fund Balance - December 31				
Restricted for:				
Highways and streets	\$ -	\$ -	\$ 185,818	\$ 185,818
Culture and recreation	-	-	(25,305)	(25,305)
Debt service	-	-	735,097	735,097
Construction	-	1,996,068	596,630	2,592,698
Unrestricted	2,836,537	-	2,094,541	4,931,078
Total cash and investment fund balance - December 31	\$ 2,836,537	\$ 1,996,068	\$ 3,586,781	\$ 8,419,386

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, 2008

	Water Utility	Wastewater Utility	Storm Water Utility	Totals	Internal Service Funds
Operating receipts:					
Residential, commercial and industrial sales	\$ 4,046,225	\$ 2,219,674	\$ 1,866,949	\$ 8,132,848	\$ -
Fire protection receipts	787,198	-	-	787,198	-
Other	20,924	12,199	18,235	51,358	4,711,032
Total operating receipts	4,854,347	2,231,873	1,885,184	8,971,404	4,711,032
Operating disbursements:					
Cost of sales and services	1,388,049	629,136	252,774	2,269,959	467,260
Equipment and capital improvements	726,299	436,031	345,019	1,507,349	-
Insurance claims and premiums	89,471	81,919	37,481	208,871	-
Other	246,371	-	-	246,371	-
Salaries and wages	1,018,607	1,064,202	595,001	2,677,810	-
Employee pensions and benefits	312,413	379,751	183,844	876,008	-
Insurance benefits	-	-	-	-	4,931,824
Total operating disbursements	3,781,210	2,591,039	1,414,119	7,786,368	5,399,084
Excess (deficiency) of operating receipts over operating disbursements	1,073,137	(359,166)	471,065	1,185,036	(688,052)
Nonoperating receipts (disbursements):					
Interest and investment receipts	94,863	64,395	63,055	222,313	-
Miscellaneous receipts	144,720	93,933	37,005	275,658	-
Debt service of principal	(835,000)	-	(287,616)	(1,122,616)	-
Interest and investment disbursement	(19,455)	-	(102,343)	(121,798)	-
Miscellaneous disbursements	(73,292)	(53,570)	-	(126,862)	-
Total nonoperating receipts (disbursements)	(688,164)	104,758	(289,899)	(873,305)	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	384,973	(254,408)	181,166	311,731	(688,052)
Cash and investment fund balance - beginning	1,998,770	1,762,853	1,532,683	5,294,306	76,691
Cash and investment fund balance - ending	<u>\$ 2,383,743</u>	<u>\$ 1,508,445</u>	<u>\$ 1,713,849</u>	<u>\$ 5,606,037</u>	<u>\$ (611,361)</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 341,432	\$ 131,183	\$ 200,475	\$ 673,090	\$ -
Restricted assets:					
Cash and investments	2,042,311	1,377,262	1,513,374	4,932,947	(611,361)
Total cash and investment assets - December 31	<u>\$ 2,383,743</u>	<u>\$ 1,508,445</u>	<u>\$ 1,713,849</u>	<u>\$ 5,606,037</u>	<u>\$ (611,361)</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ 212,267	\$ -	\$ 701,469	\$ 913,736	\$ -
Other purposes	1,830,044	1,377,262	811,905	4,019,211	(611,361)
Unrestricted	341,432	131,183	200,475	673,090	-
Total cash and investment fund balance - December 31	<u>\$ 2,383,743</u>	<u>\$ 1,508,445</u>	<u>\$ 1,713,849</u>	<u>\$ 5,606,037</u>	<u>\$ (611,361)</u>

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, 2008

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 1,969,160	\$ -	
Other	-	23,046	
Total additions	1,969,160	23,046	
Deductions:			
Benefits	2,584,573	-	
Administrative and general	11,228	19,477	
Total deductions	2,595,801	19,477	
Excess (deficiency) of total additions over total deductions	(626,641)	3,569	
Cash and investment fund balance - beginning	1,473,971	17,093	
Cash and investment fund balance - ending	\$ 847,330	\$ 20,662	\$ 1,140,132

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 nonexchange 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 industrial development fund, established by resolution 17-2001, recaptures state taxes collected and is used to make qualified investments in certain designated areas within the City.

The City reports the following major proprietary funds:

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

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

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 the 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 cash transactions during the time they are a liability of 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.

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.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected. However, the balance of the December 2008 distribution of \$878,221 was not received by the City until January 3, 2009.

3. 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.

4. 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.

5. 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.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.

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. 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

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 government-wide 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.

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. Disbursements in Excess of Appropriations

For the year ended December 31, 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008
Park Bond	\$ 1,900
Cumulative Capital Improvement	275
Cumulative Capital Development	300,095
 Total	 \$ 302,270

These disbursements were funded by available fund balances.

CITY OF MARION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

C. Cash and Investment Balance Deficits

At December 31, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2008
Park Nonreverting Operating	\$ (20,654)
Park and Recreation	(4,651)
Law Enforcement Continuing Education	(16,191)
Victims Advocacy Grant	(5,937)
Parking Enforcement	(4,795)
AFT Grants	(1,053)
FEMA Fire Gear	(192)
IDOT	(8,892)
Group Gasoline	(16,915)
Insurance Reserve	(594,446)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to 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. The 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.

2. Investments

Statutory Authorization for Investments

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 City 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.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 City'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. The City does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal investment policy for credit risk for investments.

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.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2008, were as follows:

Transfer From	Transfer To	2008
General Fund	Industrial Development Fund	\$ 1,000,000
Industrial Development Fund	General Fund	1,000,000
Total		<u>\$ 2,000,000</u>

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

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; medical benefits to employees, retirees, and dependants (excluding postemployment benefits) 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.

Medical Benefits to Employees

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Insurance Reserve Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon the cost per employee and the number of covered employees paid from that fund.

B. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

C. 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 accompanying notes to the financial statements.

As of December 31, 2008, there were five series of Economic Development Revenue Bonds outstanding with an aggregate principal amount payable of \$4,876,000.

Year of Issuance	Debtor	Outstanding Balance December 31, 2008
2003	Prime PVC, Inc.	\$ 216,000
2005	Dunham's	995,000
2005	Winterfield Project Series A	400,000
2006	Active Products, LLC Series A	2,880,000
2006	JSG Processing, Inc. Series B	385,000
Total		\$ 4,876,000

D. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

In addition to the pension plans 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 20 years of service or incurs a job related disability. Currently, 35 retirees meet these eligibility requirements. The City provides 100% of these postemployment benefits. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2008, disbursements of \$398,796 were recognized for postemployment benefits. The City has not provided an actuarial study to determine the City's annual postemployment benefit costs in accordance with GASB Statement 45.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Loans Receivable – Indiana Department of Commerce

Year of Loan	Borrower	Original Loan Amount	Interest Rate	Outstanding Balance December 31, 2008
1999	Carroll Container	<u>\$ 200,000</u>	5.25%	<u>\$ 34,406</u>

F. 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.

G. 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.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 327,907	\$ 1,188,000	\$ 1,385,000
Interest on net pension obligation	(7,283)	172,600	211,500
Adjustment to annual required contribution	<u>8,300</u>	<u>(217,800)</u>	<u>(266,800)</u>
Annual pension cost	328,924	1,142,800	1,329,700
Contributions made	<u>350,778</u>	<u>883,299</u>	<u>1,085,860</u>
Increase (decrease) in net pension obligation	(21,854)	259,501	243,840
Net pension obligation, beginning of year	<u>(100,455)</u>	<u>2,876,765</u>	<u>3,524,861</u>
Net pension obligation, end of year	<u>\$ (122,309)</u>	<u>\$ 3,136,266</u>	<u>\$ 3,768,701</u>

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Contribution rates:			
City	6.25%	N/A	N/A
Plan members	3%	None	None
Actuarial valuation date	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period	30 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 applicable

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
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

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 350,828	89%	\$ (148,938)
	06-30-07	360,253	87%	(100,455)
	06-30-08	328,924	107%	(122,309)
1925 Police Officers' Pension Plan	12-31-06	1,128,200	64%	2,737,385
	12-31-07	1,130,200	88%	2,876,765
	12-31-08	1,142,800	77%	3,136,266
1937 Firefighters' Pension Plan	12-31-06	1,496,000	80%	3,642,232
	12-31-07	1,461,300	108%	3,524,861
	12-31-08	1,329,700	82%	3,768,701

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	62	78

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.

CITY OF MARION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2008, 2007, and 2006, were \$1,410,818, \$1,361,264, and \$1,204,769, 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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 7,154,625	\$ 7,475,880	\$ (321,255)	96%	\$ 5,864,730	(5%)
07-01-07	7,968,267	7,841,775	126,492	102%	5,709,285	2%
07-01-08	8,196,604	8,366,119	(169,515)	98%	5,795,606	(3%)

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)
01-01-03	\$ 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	
01-01-06	1,042,247	16,221,000	(15,178,753)	6%	No covered payroll	
01-01-07	752,540	16,142,600	(15,390,060)	5%	No covered payroll	
01-01-08	673,758	16,152,000	(15,478,242)	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)
01-01-03	\$ 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%)
01-01-06	916,043	20,865,800	(19,949,757)	4%	173,000	(11,532%)
01-01-07	820,436	20,358,800	(19,538,364)	4%	142,100	(13,750%)
01-01-08	800,213	18,830,200	(18,029,987)	4%	No covered payroll	

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	12-31-03	\$ 1,962,900	3%	33%
	12-31-04	2,112,400	3%	31%
	12-31-05	1,188,800	60%	58%
	12-31-06	1,159,800	9%	53%
	12-31-07	1,170,100	29%	56%
	12-31-08	1,188,000	23%	51%
1937 Firefighters' Pension Plan	12-31-03	\$ 2,543,700	3%	31%
	12-31-04	2,673,200	3%	31%
	12-31-05	1,583,400	44%	54%
	12-31-06	1,541,400	29%	49%
	12-31-07	1,514,400	50%	54%
	12-31-08	1,385,000	20%	58%

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, 2008

	Motor Vehicle Highway	Local Road and Street	Aviation Commission	Park Nonreverting Operating	Park and Recreation	Law Enforcement Continuing Education
Receipts:						
Taxes	\$ 381,910	\$ -	\$ 237,673	\$ -	\$ 605,976	\$ -
Licenses and permits	7,900	-	-	-	-	8,190
Intergovernmental	887,859	257,925	13,932	-	32,738	-
Charges for services	-	-	-	256,826	-	7,842
Fines and forfeits	-	-	-	-	-	-
Other	11,986	-	-	103,966	-	1,650
Total receipts	<u>1,289,655</u>	<u>257,925</u>	<u>251,605</u>	<u>360,792</u>	<u>638,714</u>	<u>17,682</u>
Disbursements:						
General government	-	-	279,273	-	-	-
Public safety	-	-	-	-	-	42,090
Highways and streets	1,775,478	266,764	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	389,490	1,007,114	-
Debt service:						
Principal	50,439	9,088	-	-	-	-
Interest	4,416	653	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	<u>1,830,333</u>	<u>276,505</u>	<u>279,273</u>	<u>389,490</u>	<u>1,007,114</u>	<u>42,090</u>
Excess (deficiency) of receipts over disbursements	<u>(540,678)</u>	<u>(18,580)</u>	<u>(27,668)</u>	<u>(28,698)</u>	<u>(368,400)</u>	<u>(24,408)</u>
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(540,678)</u>	<u>(18,580)</u>	<u>(27,668)</u>	<u>(28,698)</u>	<u>(368,400)</u>	<u>(24,408)</u>
Cash and investment fund balance - beginning	<u>703,366</u>	<u>41,710</u>	<u>197,081</u>	<u>8,044</u>	<u>363,749</u>	<u>8,217</u>
Cash and investment fund balance - ending	<u>\$ 162,688</u>	<u>\$ 23,130</u>	<u>\$ 169,413</u>	<u>\$ (20,654)</u>	<u>\$ (4,651)</u>	<u>\$ (16,191)</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 169,413	\$ -	\$ -	\$ (16,191)
Restricted assets:						
Cash and investments	162,688	23,130	-	(20,654)	(4,651)	-
Total cash and investment assets - December 31	<u>\$ 162,688</u>	<u>\$ 23,130</u>	<u>\$ 169,413</u>	<u>\$ (20,654)</u>	<u>\$ (4,651)</u>	<u>\$ (16,191)</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Highways and streets	\$ 162,688	\$ 23,130	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	(20,654)	(4,651)	-
Debt service	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Unrestricted	-	-	169,413	-	-	(16,191)
Total cash and investment fund balance - December 31	<u>\$ 162,688</u>	<u>\$ 23,130</u>	<u>\$ 169,413</u>	<u>\$ (20,654)</u>	<u>\$ (4,651)</u>	<u>\$ (16,191)</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, 2008
 (Continued)

	Animal Control	Economic Development Commission	Unsafe Building	Reduce Drunk Driving	Environmental Public Nuisance	Abandoned Vehicle
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	765	1,125	-	-	-	-
Intergovernmental	-	-	-	45,500	-	-
Charges for services	-	-	189,591	-	6,517	350
Fines and forfeits	1,405	-	-	-	-	-
Other	19,286	-	-	-	-	-
Total receipts	21,456	1,125	189,591	45,500	6,517	350
Disbursements:						
General government	-	-	-	-	-	-
Public safety	20,457	-	188,723	36,025	7,222	2,226
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	20,457	-	188,723	36,025	7,222	2,226
Excess (deficiency) of receipts over disbursements	999	1,125	868	9,475	(705)	(1,876)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	999	1,125	868	9,475	(705)	(1,876)
Cash and investment fund balance - beginning	1,281	4,443	10,140	7,074	4,649	3,666
Cash and investment fund balance - ending	<u>2,280</u>	<u>5,568</u>	<u>11,008</u>	<u>16,549</u>	<u>3,944</u>	<u>1,790</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 2,280	\$ 5,568	\$ 11,008	\$ 16,549	\$ 3,944	\$ 1,790
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 2,280</u>	<u>\$ 5,568</u>	<u>\$ 11,008</u>	<u>\$ 16,549</u>	<u>\$ 3,944</u>	<u>\$ 1,790</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Unrestricted	2,280	5,568	11,008	16,549	3,944	1,790
Total cash and investment fund balance - December 31	<u>\$ 2,280</u>	<u>\$ 5,568</u>	<u>\$ 11,008</u>	<u>\$ 16,549</u>	<u>\$ 3,944</u>	<u>\$ 1,790</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, 2008
 (Continued)

	Victims Advocacy Grant	Emergency Gas Award	Juvenile Assistance Grant	Parking Enforcement	Public Works Scrapping	AFT Grants
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	24,792	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	9,254	-	-
Other	-	-	-	-	-	-
Total receipts	24,792	-	-	9,254	-	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	34,072	-	-	16,021	-	6,209
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	34,072	-	-	16,021	-	6,209
Excess (deficiency) of receipts over disbursements	(9,280)	-	-	(6,767)	-	(6,209)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,280)	-	-	(6,767)	-	(6,209)
Cash and investment fund balance - beginning	3,343	2,900	221	1,972	688	5,156
Cash and investment fund balance - ending	<u>(5,937)</u>	<u>2,900</u>	<u>221</u>	<u>(4,795)</u>	<u>688</u>	<u>(1,053)</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ (5,937)	\$ 2,900	\$ 221	\$ (4,795)	\$ 688	\$ (1,053)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>(5,937)</u>	<u>2,900</u>	<u>221</u>	<u>(4,795)</u>	<u>688</u>	<u>(1,053)</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Unrestricted	<u>(5,937)</u>	<u>2,900</u>	<u>221</u>	<u>(4,795)</u>	<u>688</u>	<u>(1,053)</u>
Total cash and investment fund balance - December 31	<u>(5,937)</u>	<u>2,900</u>	<u>221</u>	<u>(4,795)</u>	<u>688</u>	<u>(1,053)</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, 2008
 (Continued)

	Supplemental Adult Probation Services	Investment Incentive Recaptured	FEMA Fire Gear	IHFA Grant	Disaster Relief	IDOT
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	14,698
Charges for services	-	10,500	-	-	-	-
Fines and forfeits	5,349	-	-	-	-	-
Other	-	9,225	-	-	-	-
Total receipts	5,349	19,725	-	-	-	14,698
Disbursements:						
General government	-	237,622	-	-	-	15,983
Public safety	3,913	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	3,913	237,622	-	-	-	15,983
Excess (deficiency) of receipts over disbursements	1,436	(217,897)	-	-	-	(1,285)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Other receipts	-	28,077	-	-	-	-
Total other financing sources (uses)	-	28,077	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,436	(189,820)	-	-	-	(1,285)
Cash and investment fund balance - beginning	7,129	954,235	(192)	1,943	27,588	(7,607)
Cash and investment fund balance - ending	<u>\$ 8,565</u>	<u>\$ 764,415</u>	<u>\$ (192)</u>	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (8,892)</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 8,565	\$ 764,415	\$ (192)	\$ 1,943	\$ 27,588	\$ (8,892)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 8,565</u>	<u>\$ 764,415</u>	<u>\$ (192)</u>	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (8,892)</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Unrestricted	8,565	764,415	(192)	1,943	27,588	(8,892)
Total cash and investment fund balance - December 31	<u>\$ 8,565</u>	<u>\$ 764,415</u>	<u>\$ (192)</u>	<u>\$ 1,943</u>	<u>\$ 27,588</u>	<u>\$ (8,892)</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, 2008
 (Continued)

	Federal Equitable Sharing Program	Justice Assistance Grant	Special Projects Engineering	Special Park Revolving	Central Indiana Ethanol	Rainy Day
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	16,003	-	-	46,250	1,011
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	25	-	-	-
Total receipts	-	16,003	25	-	46,250	1,011
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	16,003	-	-	-	-
Highways and streets	-	-	-	-	46,250	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	16,003	-	-	46,250	-
Excess (deficiency) of receipts over disbursements	-	-	25	-	-	1,011
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	25	-	-	1,011
Cash and investment fund balance - beginning	5	-	-	605	-	447,220
Cash and investment fund balance - ending	<u>5</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 448,231</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 5	\$ -	\$ 25	\$ 605	\$ -	\$ 448,231
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 448,231</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Unrestricted	5	-	25	605	-	448,231
Total cash and investment fund balance - December 31	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 448,231</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, 2008
 (Continued)

	2005 Revenue Refund Bond	City Bond and Interest	Park Bond	2005 Park Bond Construction	2006 Bond Anticipation Note	Cumulative Capital Improvement
Receipts:						
Taxes	\$ -	\$ 74,386	\$ 337,460	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	4,361	22,564	-	-	101,854
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	10,671	-	-	1,982	3,101	782
Total receipts	10,671	78,747	360,024	1,982	3,101	102,636
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	158,210	-	-	-	-	-
Culture and recreation	-	-	1,900	-	-	-
Debt service:						
Principal	170,000	115,000	160,000	-	-	-
Interest	303,913	80,958	247,475	-	88,376	-
Capital outlay:						
General government	-	-	-	-	-	29,420
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	80,849
Culture and recreation	-	-	-	140,660	-	-
Total disbursements	632,123	195,958	409,375	140,660	88,376	110,269
Excess (deficiency) of receipts over disbursements	(621,452)	(117,211)	(49,351)	(138,678)	(85,275)	(7,633)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(621,452)	(117,211)	(49,351)	(138,678)	(85,275)	(7,633)
Cash and investment fund balance - beginning	1,071,665	149,359	302,087	370,496	224,267	104,300
Cash and investment fund balance - ending	<u>\$ 450,213</u>	<u>\$ 32,148</u>	<u>\$ 252,736</u>	<u>\$ 231,818</u>	<u>\$ 138,992</u>	<u>\$ 96,667</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,667
Restricted assets:						
Cash and investments	450,213	32,148	252,736	231,818	138,992	-
Total cash and investment assets - December 31	<u>\$ 450,213</u>	<u>\$ 32,148</u>	<u>\$ 252,736</u>	<u>\$ 231,818</u>	<u>\$ 138,992</u>	<u>\$ 96,667</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	450,213	32,148	252,736	-	-	-
Construction	-	-	-	231,818	138,992	-
Unrestricted	-	-	-	-	-	96,667
Total cash and investment fund balance - December 31	<u>\$ 450,213</u>	<u>\$ 32,148</u>	<u>\$ 252,736</u>	<u>\$ 231,818</u>	<u>\$ 138,992</u>	<u>\$ 96,667</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, 2008
 (Continued)

	CREED Roadway	Airport Capital Improvement	Washington Street Economic Development	Cumulative Capital Development	Water Loop Improvements	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 329,296	\$ -	\$ 1,966,701
Licenses and permits	-	-	-	-	-	17,980
Intergovernmental	-	1,737,270	-	19,303	-	3,226,060
Charges for services	-	56,380	-	-	-	528,006
Fines and forfeits	-	-	-	-	-	16,008
Other	-	3,200	-	-	35,863	201,737
Total receipts	-	1,796,850	-	348,599	35,863	5,956,492
Disbursements:						
General government	-	-	-	-	41,472	574,350
Public safety	-	-	-	42,668	-	415,629
Highways and streets	-	-	-	-	-	2,088,492
Economic development	-	-	-	-	-	158,210
Culture and recreation	-	-	-	-	-	1,398,504
Debt service:						
Principal	-	30,389	-	153,977	-	688,893
Interest	-	9,979	-	56,704	-	792,474
Capital outlay:						
General government	-	1,799,580	-	-	-	1,829,000
Public safety	-	-	-	300,746	-	300,746
Highways and streets	-	-	-	145,000	-	225,849
Culture and recreation	-	-	-	-	-	140,660
Total disbursements	-	1,839,948	-	699,095	41,472	8,612,807
Excess (deficiency) of receipts over disbursements	-	(43,098)	-	(350,496)	(5,609)	(2,656,315)
Other financing sources (uses):						
Bond proceeds	-	120,793	-	300,746	-	421,539
Other receipts	-	-	-	-	-	28,077
Total other financing sources (uses)	-	120,793	-	300,746	-	449,616
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	77,695	-	(49,750)	(5,609)	(2,206,699)
Cash and investment fund balance - beginning	156	148,125	256	618,534	5,609	5,793,480
Cash and investment fund balance - ending	\$ 156	\$ 225,820	\$ 256	\$ 568,784	\$ -	\$ 3,586,781
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 156	\$ -	\$ 256	\$ 568,784	\$ -	\$ 2,094,541
Restricted assets:						
Cash and investments	-	225,820	-	-	-	1,492,240
Total cash and investment assets - December 31	\$ 156	\$ 225,820	\$ 256	\$ 568,784	\$ -	\$ 3,586,781
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,818
Culture and recreation	-	-	-	-	-	(25,305)
Debt service	-	-	-	-	-	735,097
Construction	-	225,820	-	-	-	596,630
Unrestricted	156	-	256	568,784	-	2,094,541
Total cash and investment fund balance - December 31	\$ 156	\$ 225,820	\$ 256	\$ 568,784	\$ -	\$ 3,586,781

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, 2008

	<u>Group Gasoline</u>	<u>Insurance Reserve</u>	<u>Totals</u>
Operating receipts:			
Other	\$ 426,000	\$ 4,285,032	\$ 4,711,032
Operating disbursements:			
Cost of sales and services	467,260	-	467,260
Insurance benefits	<u>-</u>	<u>4,931,824</u>	<u>4,931,824</u>
Total disbursements	<u>467,260</u>	<u>4,931,824</u>	<u>5,399,084</u>
Deficiency of receipts under disbursements	(41,260)	(646,792)	(688,052)
Cash and investment fund balance - beginning	<u>24,345</u>	<u>52,346</u>	<u>76,691</u>
Cash and investment fund balance - ending	<u>\$ (16,915)</u>	<u>\$ (594,446)</u>	<u>\$ (611,361)</u>
<u>Cash and Investment Assets - December 31</u>			
Restricted assets:			
Cash and investments	<u>\$ (16,915)</u>	<u>\$ (594,446)</u>	<u>\$ (611,361)</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	<u>\$ (16,915)</u>	<u>\$ (594,446)</u>	<u>\$ (611,361)</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, 2008

	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 1,085,861	\$ 883,299	\$ 1,969,160
Deductions:			
Benefits	1,449,215	1,135,358	2,584,573
Administrative and general	<u>6,034</u>	<u>5,194</u>	<u>11,228</u>
Total deductions	<u>1,455,249</u>	<u>1,140,552</u>	<u>2,595,801</u>
Deficiency of total additions under total deductions	(369,388)	(257,253)	(626,641)
Cash and investment fund balance - beginning	<u>800,213</u>	<u>673,758</u>	<u>1,473,971</u>
Cash and investment fund balance - ending	<u>\$ 430,825</u>	<u>\$ 416,505</u>	<u>\$ 847,330</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, 2008

	Fire Department Donation	Police Department Donation	City Donation	Totals
Additions:				
Contributions:				
Other	\$ 2,178	\$ 20,868	\$ -	\$ 23,046
Deductions:				
Administrative and general	581	18,255	641	19,477
Excess (deficiency) of total additions over total deductions	1,597	2,613	(641)	3,569
Cash and investment fund balance - beginning	3,584	9,658	3,851	17,093
Cash and investment fund balance - ending	\$ 5,181	\$ 12,271	\$ 3,210	\$ 20,662

CITY OF MARION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	<u>City Clerk</u>	<u>City Court Probation</u>	<u>User Fee</u>	<u>Payroll</u>	<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>Totals</u>
Additions:									
Agency fund additions	<u>\$ 656,289</u>	<u>\$ 50,805</u>	<u>\$ 7,305</u>	<u>\$ 15,127,220</u>	<u>\$ 21,752</u>	<u>\$ 39,528</u>	<u>\$ 108,894</u>	<u>\$ 607,173</u>	<u>\$ 16,618,966</u>
Deductions:									
Agency fund deductions	<u>662,956</u>	<u>50,805</u>	<u>-</u>	<u>15,127,216</u>	<u>16,411</u>	<u>29,742</u>	<u>110,227</u>	<u>563,060</u>	<u>16,560,417</u>
Excess (deficiency) of total additions over total deductions	(6,667)	-	7,305	4	5,341	9,786	(1,333)	44,113	58,549
Cash and investment fund balance - beginning	<u>131,606</u>	<u>-</u>	<u>19,225</u>	<u>49,866</u>	<u>(305)</u>	<u>2,892</u>	<u>76,902</u>	<u>801,397</u>	<u>1,081,583</u>
Cash and investment fund balance - ending	<u>\$ 124,939</u>	<u>\$ -</u>	<u>\$ 26,530</u>	<u>\$ 49,870</u>	<u>\$ 5,036</u>	<u>\$ 12,678</u>	<u>\$ 75,569</u>	<u>\$ 845,510</u>	<u>\$ 1,140,132</u>

CITY OF MARION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,444,834
Infrastructure	7,426,002
Buildings	9,963,959
Improvements other than buildings	5,144,963
Machinery and equipment	<u>12,221,471</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 37,201,229</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 308,453
Construction in progress	621,245
Capital assets, being depreciated:	
Buildings and improvements	23,058,297
Machinery and equipment	6,105,017
Transportation equipment	<u>580,808</u>
 Total Water Utility capital assets	 <u>30,673,820</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	213,763
Construction in progress	179,846
Capital assets, being depreciated:	
Buildings and improvements	32,706,617
Machinery and equipment	5,507,931
Transportation equipment	<u>753,240</u>
 Total Wastewater Utility capital assets	 <u>39,361,397</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Land	81,571
Construction in progress	26,003
Capital assets, being depreciated:	
Buildings and improvements	14,173,066
Machinery and equipment	321,794
Transportation equipment	<u>648,923</u>
 Total Storm Water Utility capital assets	 <u>15,251,357</u>
 Total business-type activities capital assets	 <u>\$ 85,286,574</u>

CITY OF MARION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Street sweeper	\$ 56,712	\$ 28,400
Dura-patcher	9,455	9,741
Fire pumper	186,869	67,584
Truck - transportation	17,322	-
Truck - building inspector	16,646	9,728
Public safety vehicles	627,727	220,114
Notes and loans payable:		
2004 tax revenue note	159,661	166,376
2005 insurance note	1,280,000	198,966
2008 aviation loan	334,427	43,673
2008 animal shelter note	750,000	118,271
Bonds payable:		
General obligation bonds:		
2002 Pennsylvania Avenue	1,000,000	136,834
2005 COIT	6,265,000	472,875
2005 Park district	4,840,000	409,225
Total governmental activities debt	<u>\$ 15,543,819</u>	<u>\$ 1,881,787</u>
Business-type activities:		
Storm Water Utility:		
Loan payable:		
State revolving fund	<u>\$ 3,385,268</u>	<u>\$ 345,165</u>

CITY OF MARION
OTHER REPORT

The annual report presented herein was prepared in addition to another 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 January 1, 2008, beginning cash fund balances for eight funds were different from the December 31, 2007, ending cash fund balances, as presented in the Annual Financial Reports (CTAR-2) for 2008 and 2007. These cash fund balances should be consistent between years. A similar comment appeared in prior Report B32366.

Fund	CTAR Balance 12-31-07	CTAR Balance 01-01-08
Firefighters' Pension	\$ 800,213	\$ 874,361
Police Pension	673,758	674,233
Payroll	49,824	49,653
Utility Clearance	-	9,030
Payroll Withholdings Unknown	-	213
Payroll Withholdings State	-	31,187
Payroll Withholding Local Tax	-	8,904
Payroll Withholding Flex	-	5

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)

ANNUAL REPORT PUBLICATION

The annual report for 2008 was not published in a newspaper or qualified publication.

IC 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 . . ."

BANK ACCOUNT RECONCILIATIONS

A review of the depository reconciliations of the fund balances to the bank account balances disclosed the following:

- (a) The total of all City Controller reconciled bank accounts exceeded the City and Town Annual Report total cash balance by \$1,522.
- (b) The "reconciled" payroll checking account ("Bank 2") had an unidentified cash long of \$9,867.
- (c) The primary City checking account ("Bank 4") outstanding check list contained checks that were greater than two years outstanding.

A similar comment appeared in prior Report B32366.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CITY OF MARION
 AUDIT RESULTS AND COMMENTS
 (Continued)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at December 31, 2008:

Fund	Balance 12-31-08
Park Nonreverting Operating	\$ (20,654)
Park and Recreation	(4,651)
Law Enforcement Continuing Education	(16,191)
Victims Advocacy Grant	(5,937)
Parking Enforcement	(4,795)
AFT Grants	(1,053)
FEMA Fire Gear	(192)
IDOT	(8,892)
Group Gasoline	(16,915)
Insurance Reserve	(594,446)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS - PAYROLL CLEARING ACCOUNTS

At December 31, 2008, the \$532 balance in the Old Payroll Clearing Fund and the \$49,334 balance in the Payroll Withholdings - Other Unknown Fund, were unidentified. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions of these funds. A similar comment appeared in prior Report B32366.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Total taxable wages subject to federal income tax are to be reported to the Internal Revenue Service on Line 2 of the Employer's Quarterly Tax Returns (Form 941), Box 1 on Form W-3, and Box 1 on Form W-2. All three amounts reported should be in agreement. For the year 2008, the City reported the following total taxable wages subject to federal income tax:

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

Report	Amount
Forms 941	\$ 9,452,233
Form W-3	9,555,506
Form W-2	9,773,433

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations. A similar comment appeared in prior Report B32366.

Fund	Year	Excess Amount Expended
Park Bond	2008	\$ 1,900
Cumulative Capital Improvement	2008	275
Cumulative Capital Development	2008	300,095

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL ASSET RECORDS

The City was not able to provide detailed records to support the report of its capital assets. No descriptions, amounts or locations of the machinery and equipment, land, buildings, improvements other than buildings, or infrastructure were presented. Also, the retroactive reporting of infrastructure was incomplete. A similar comment appeared in prior Report B32366.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

TRANSACTION RECORDING

Transactions regarding the following debt issues were not properly recorded. As a result, the financial records and reports prepared by the City only recorded the net effect of the transactions.

The Board of Aviation signed a ten year \$350,000 loan on July 23, 2008. Of this amount, only \$120,793 was receipted by the City. The remaining funds were used to retire a 2002 note balance of \$138,209; purchase land near the airport for \$89,995; and pay finance fees of \$1,003. None of these disbursements were recorded in the City's financial records.

The Redevelopment Commission sold 170 acres of land on August 28, 2008, for \$3,000,000. Of this amount, only \$44,350 was receipted by the City. The remaining funds were used to retire a \$2,950,000 2006 bond anticipation note and pay settlement charges of \$5,650. None of these disbursements were recorded in the City's financial records.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS - PROBATION DEPARTMENT

Deposits of collections from the Probation Department were made as many as 17 days after the date collected.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CONDITION OF RECORDS - REDEVELOPMENT COMMISSION LOAN RECEIVABLE

The City has a \$34,406 investment incentive loan balance due from Carroll Container. However, a ledger of the loan balance and activity was not maintained by the Redevelopment Commission.

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)

CONFLICT OF INTEREST- REDEVELOPMENT COMMISSION

The Assistant Director of Development Services sold real estate on July 9, 2008, in the amount of \$55,000 to the Redevelopment Commission. A Uniform Conflict of Interest Disclosure Statement was not filed.

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

PUBLIC WORKS CONTRACT IN EXCESS OF \$200,000 - ANIMAL CONTROL SHELTER

A public works contract was awarded for \$666,348 for construction of an animal control shelter. The bidding process did not require the bidder to submit a bond or certified check with the bid; a non-collusion affidavit from the bidder; or the bidder's financial statements. The winning contractor was not required to submit a performance bond and a payment bond. A provision for retainage of portions of payments was not included in the contract. Change orders to the original contract were not prepared by the licensed architect assigned to the project.

Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7 contains the following bid requirements.

1. A bond or certified check shall be filed with each bid by a bidder in the amount specified by the board. The amount may not be more than 10% nor less than 6% of the contract price. The bond or certified check shall be made payable to the political subdivision.

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

2. The Board shall require the bidder to submit an affidavit that the bidder has not entered into a combination or agreement:
 1. Relative to the price to be bid by a person;
 2. To prevent a person from bidding; or,
 3. To induce a person to refrain from bidding and that his bid is made without reference to any other bid. [IC 36-1-12-4(b)(12)]
3. If the cost of a project is \$200,000 or more, the board shall require the bidder to submit a financial statement, a statement of experience, his proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. [IC 36-1-12-4(b)(6)]
4. IC 36-1-12-13.1 requires a payment bond to be filed with a contract for public work only if the cost exceeds \$200,000. The contractor shall execute a payment bond to the appropriate political subdivision or agency, approved by and for the benefit of the political subdivision or agency, in an amount equal to the contract price. The payment bond is binding on the contractor, the subcontractor, and their successors and assigns for the payment of all indebtedness to a person for labor and service performed, material furnished, or services rendered. The payment bond must state that it is for the benefit of the subcontractors, material suppliers, laborers, and those performing services. The payment bond shall be deposited with the board. [IC 36-1-12-13.1]

For public works contracts of less than two hundred fifty thousand dollars (\$250,000), the board may waive the performance bond requirement and accept from a contractor an irrevocable letter of credit for an equivalent amount from an Indiana financial institution instead of a performance bond. [IC 36-1-12-14(h)]

5. Architect or Engineer. If a licensed architect or engineer is assigned to the public work project the change order must be prepared by that person.

IC 36-1-12-14(b) states in part:

"A board that enters into a contract for public work, and a contractor who subcontracts parts of that contract, shall include in their respective contracts provisions for the retainage of portions of payments by the board to contractors, by contractors to subcontractors, and for the payment of subcontractors. At the discretion of the contractor, the retainage shall be held by the board or shall be placed in an escrow account, with a bank, savings and loan institution, or the state as the escrow agent. The escrow agent shall be selected by mutual agreement between board and contractor or contractor and subcontractor under a written agreement among the bank or savings and loan institution. . . ."

PUBLIC WORKS PROJECT - AVIATION

The Board of Aviation, during 2008, contracted with a vendor for the construction of an airport hangar. The total amount paid to the vendor was \$136,085. Sealed bids were not taken.

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-1-12-4(a) states in part:

"This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

IC 36-1-12-4(b) states in part:

"The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

PUBLIC RECORDS RETENTION

In 2008, 22 public safety vehicles were purchased in a lease financing arrangement for the Police Department. The request for proposals process was used to determine which vendor was to be awarded the vehicle contract. However, the records regarding the request for proposals were not presented for audit, as officials indicated these records had been destroyed.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS

In 2008, cash advances in the amounts of \$1,500 and \$2,500 were made to the Mayor for overseas trips. The City's Personnel Policy and Procedure Manual do not address cash advances. In addition, the validity of several of the receipts submitted for reimbursement could not be made. Receipts were issued in foreign currencies and foreign languages. No currency or language conversions were provided at the time of reimbursement.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Several payments for credit card purchases were observed that lacked adequate supporting documentation, such as receipts, invoices, and other public records. Unsupported claims included meals, lodging and entertainment. A similar comment appeared in prior Report B32366.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINANCE CHARGES

Invoices for credit card purchases were being paid at less than the full amount. These under-payments have created unpaid balances on the account, therefore incurring \$116 of interest charges and a \$35 late fee. The interest and late fee are part of the unpaid balance.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2008. 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 of America; 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, 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

September 29, 2009

CITY OF MARION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

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>			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	07VA033 07VA185	\$ 16,528 8,264
Total for program			<u>24,792</u>
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-118	5,000
Pass-Through Grant County Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1052	<u>11,003</u>
Total for program			<u>16,003</u>
Total for federal grantor agency			<u>40,795</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Federal Transit Cluster Federal Transit - Formula Grants Operating Assistance Fare Rebate Administration and Marketing	20.507	1802606O 18Y2606O 18Y2606C	463,280 3,027 9,600
Total for cluster			<u>475,907</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	PT-08-04-01-20	<u>22,861</u>
Pass-Through Grant County Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	K8-2008-02-03-09 K8-2009-03-03-10 K4-2009-08-01-05	5,500 2,332 3,125
Total for program			<u>10,957</u>
Total for cluster			<u>33,818</u>
Direct Grant Airport Improvement Program	20.106	3-18-0053-12 3-18-0053-13 3-18-0053-14	2,375 911,810 54,615
Total for program			<u>968,800</u>
Total for federal grantor agency			<u>1,478,525</u>
Total federal awards expended			<u>\$ 1,519,320</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
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies 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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes

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 September 29, 2009, with Wayne W. Seybold, Mayor; and Cindy Wright, Controller.