

B40564

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF MARION

GRANT COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**

07/13/2012



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	5-6
Financial Statement: Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	8-9
Notes to Financial Statement .....	10-16
Supplementary Information: Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	18-35
Schedule of Payables and Receivables .....	36
Schedule of Leases and Debt .....	37
Schedule of Capital Assets .....	38
Audit Results and Comments: Overdrawn Cash Balances .....	39
Omission of Departments .....	39
Temporary Transfer of Funds .....	40
Appropriations .....	40
Police Pension Underpayments .....	40-41
Schedule of Leases and Debt .....	41
Change in Beginning Cash Balances .....	41-42
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	44-45
Schedule of Expenditures of Federal Awards .....	48-49
Notes to Schedule of Expenditures of Federal Awards .....	50
Schedule of Findings and Questioned Costs .....	51
Auditee Prepared Schedule: Summary Schedule of Prior Audit Findings .....	52
Exit Conference .....	53

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Cindy Wright	01-01-11 to 12-31-12
Clerk	Kathleen A. Kiley	01-01-08 to 12-31-15
Mayor	Wayne W. Seybold	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	Ray Harris Thomas J. Reto	01-01-11 to 11-26-11 11-27-11 to 12-31-12
President of the Common Council	Bradley N. Luzadder Donald W. Batchelor	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Utilities Director	William M. McElhaney	01-01-11 to 12-31-12



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Marion (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 20, 2012, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

June 20, 2012



**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](http://www.in.gov/sboa)

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

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

We have audited the financial statement of the City of Marion (City), for the year ended December 31, 2011, and have issued our report thereon dated June 20, 2012. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 20, 2012

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MARION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments		Cash and Investments	
	01-01-11	Receipts	Disbursements	12-31-11
General	\$ 12,590	\$ 26,399,001	\$ 26,252,175	\$ 159,416
Motor Vehicle Highway	399,977	1,820,532	1,891,185	329,324
Local Road and Street	3,142	283,574	239,050	47,666
Aviation	176,265	102,797	203,409	75,653
Park Non Reverting	43,415	652,915	604,746	91,584
Employees Flexible Spending Account	84,893	92,873	124,192	53,574
Marion Economic Development Commission	6,243	425	-	6,668
Parking Enforcement	8,663	1,216	-	9,879
IDOT	(8,893)	24,380	15,487	-
Abandoned Vehicles	1,669	2,619	3,906	382
Local Law Continuing Education	31,744	13,400	38,597	6,547
Unsafe Building	(44,672)	274,611	210,805	19,134
Parks and Recreation	(189,305)	718,187	444,825	84,057
User Fee	10,456	7,428	1,250	16,634
Rainy Day	82,812	551,000	289,864	343,948
County Economic Development Income Tax	791,258	790,186	1,561,735	19,709
TIF Allocation	526,664	3,222,718	2,624,197	1,125,185
Cumulative Capital Improvement	99,966	89,944	80,349	109,561
Cumulative Capital Development	198,701	310,963	401,349	108,315
1925 Police Pension	44,180	1,049,130	1,033,226	60,084
1937 Fire Pension	44,185	1,393,852	1,415,358	22,679
County Share Clerk's Fees	-	19,118	15,968	3,150
City Donation	3,210	-	-	3,210
Animal Control Non Reverting	(38,576)	67,473	121,350	(92,453)
Reduce Drunk Driving	9,763	11,500	15,521	5,742
Fire Department Donations	8,763	1,326	2,030	8,059
Police Department Donations	5,755	27,031	18,066	14,720
Environmental Public Nuisance	1,882	9,081	4,161	6,802
Victim's Advocacy Grant	(7,650)	49,648	34,374	7,624
Emergency Gas Award	2,900	-	-	2,900
Juvenile Accountability Grant	221	-	-	221
Group Gasoline	62,503	393,679	456,182	-
Public Works Scrapping	3,142	-	-	3,142
Supplemental Adult Probation Services	7,608	3,889	4,610	6,887
CSA Grant	-	14,000	3,000	11,000
Neighborhood Association Contributions	-	750	416	334
Washington Street Economic Development	256	-	-	256
Investment Incentive Recaptured	139,335	1,335	138,691	1,979
2005 Park Bond Construction	4	386	80	310
City Bond and Interest	49,904	183,322	198,448	34,778
2006 Bond Anticipation Note Madjec	4	-	-	4
Park Bond	225,573	227,867	411,225	42,215
Industrial Development CREED	2,133,261	1,355,276	2,168,159	1,320,378
Airport Capital Improvement	203,161	902,696	760,827	345,030
Assistance to Firefighters	-	114,116	57,374	56,742
BAN 2010	(134,010)	244,025	110,015	-
Justice Assistance Grant	8,289	19,740	27,697	332
Waterloop Improvements	71	-	-	71
2011 Bond	-	484,383	192,312	292,071
Special Projects Engineer	25	-	-	25
COPS	8,351	154,067	161,465	953
Tier 2 Bus Terminal Renovation	-	61,533	61,533	-
Insurance Reserve	(850,468)	4,386,093	5,623,992	(2,088,367)
Court Cost Due County	-	33,010	28,180	4,830
Payroll - Net	-	162,676	162,676	-
Payroll - Federal	-	1,446,866	1,446,866	-
Payroll - FICA	-	387,793	387,793	-
Payroll - Medicare	-	290,797	290,797	-
Payroll - State	-	429,673	429,673	-
Payroll - County	-	225,076	225,076	-
Payroll - Civil PERF	-	5,532	5,532	-
Payroll - Voluntary PERF	-	99,972	99,972	-
Payroll - Direct Deposit	-	9,150,402	9,150,402	-

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

CITY OF MARION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011  
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Payroll - AFLAC Accident PT	-	16,805	16,805	-
Payroll - AFLAC Cancer PT	-	7,479	7,479	-
Payroll - AFLAC PRP PT	-	1,891	1,891	-
Payroll - AFLAC Dental Employee	-	110,450	110,450	-
Payroll - AFLAC Disability	-	9,561	9,561	-
Payroll - AFLAC Life Insurance	-	2,455	2,455	-
Payroll - Allstate Dental	-	236	236	-
Allstate Term Life	-	145	145	-
Payroll - Allstate Life	-	88	88	-
Payroll - Anthem Insurance	-	111,364	111,364	-
Payroll - Flex Reimbursement	-	19,673	19,673	-
Payroll - Cincinnati Life Insurance	-	3,793	3,793	-
Payroll - Transamerica	-	2,443	2,443	-
Payroll - Fire Union Dues	-	26,469	26,469	-
Payroll - Police Union Dues	-	17,800	17,800	-
Payroll - Transportation Union	-	4,555	4,555	-
Payroll - Street Union Dues	-	9,260	9,260	-
Payroll - YMCA Dues	-	26,220	26,220	-
Payroll - Chaplaincy Program	-	5,273	5,273	-
Payroll - Firefighters PAC	-	4,564	4,564	-
Payroll - United Way	-	4,820	4,820	-
Payroll - Credit Union	-	618,520	618,520	-
Payroll - Child Support Fee	-	988	988	-
Payroll - Miscellaneous Fees	-	346	346	-
Payroll - Child Support	-	116,669	116,669	-
Payroll - Wilson Madison County	-	10,140	10,140	-
Payroll - Garnishment	-	18,622	18,622	-
Payroll - Loper/Department of Education	-	3,265	3,265	-
Payroll - Madison County Clerk	-	7,436	7,436	-
Payroll - Delinquent County Taxes	-	5,430	5,430	-
Payroll - Social Security Administration	-	3,360	3,360	-
Payroll - Treasurer of People	-	64	64	-
State Annual Child Support Fee	-	715	715	-
City of Marion-Vehicles	-	34,260	34,260	-
City of Marion-Cell Phones	-	9,390	9,390	-
Grange Life Insurance	-	21,535	21,535	-
OneAmerica	-	107,955	107,955	-
Monumental Life	-	2,625	2,625	-
IRS Levy MC	-	9,430	9,430	-
Liberty National	-	19,425	19,425	-
D. Aikman	-	3,000	3,000	-
Storm Water Operating	233,251	891,997	964,617	160,631
Storm Water Depreciation	81,717	131,765	63,847	149,635
Storm Water Depreciation Equipment Reserve	233,201	25,000	-	258,201
Storm Water Bond Reserve	429,920	-	-	429,920
Storm Water Construction	375,220	539,500	541,016	373,704
Storm Water Bond and Interest	289,098	376,470	389,959	275,609
Wastewater Operation	190,005	2,711,685	2,695,009	206,681
Wastewater Depreciation	11,593	293,262	89,634	215,221
Wastewater Customer Deposit	208,785	66,000	58,560	216,225
Wastewater Construction	90,159	439,892	29,897	500,154
Sweetser Restricted	-	19,170	19,170	-
Water Operating	453,264	3,307,793	3,132,205	628,852
Water Depreciation	242,090	1,489,025	987,291	743,824
Water Bond and Interest	114,767	-	114,767	-
Water Consumer Deposit	234,982	67,045	64,591	237,436
Water Quail Hollow	21,700	-	-	21,700
Water Construction	1,052,178	1,347,616	1,823,426	576,368
Water Bond Debt Reserve	97,500	-	97,500	-
Cash With Fiscal Agent	18,485	5	18,490	-
<b>Totals</b>	<b>\$ 8,545,145</b>	<b>\$ 71,850,626</b>	<b>\$ 72,718,666</b>	<b>\$ 7,677,105</b>

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

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 some or all of 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, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be 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 dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan 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*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

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

*Funding Policy*

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*On Behalf Payments*

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*D. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

**Note 7. Cash Balance Deficits**

The financial statements contain some funds with deficits in cash. This is a result of the cost of operation exceeding the receipts generated, or plan claims exceeding plan contributions.

**Note 8. Other Postemployment Benefits**

The City provides eligible retirees and their spouses 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. The City provides 100% of these postemployment benefits. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Change In Beginning Cash Balances**

The beginning cash balances of the following funds included in the 2011 financial statement differ from the ending cash balances of the same fund, as reported, in the 2010 financial statement.

Fund	Cash Balance 12-31-10	Cash Balance 01-01-11
General	\$ 11,472	\$ 12,590
Cumulative Capital Improvement	101,085	99,966
BAN	1	(134,010)
Federal Equitable Sharing Program	5	-
City Clerk	122,553	-
Storm Water Operating	233,451	233,251
Wastewater Operating	191,005	190,005
Water Operating	454,364	453,264

Utility operating funds variances are the result of imprest cash not being recognized. The City Clerk balance is an independent department balance not included with other City funds. The variances of the remaining funds represent corrections of prior year disbursements reflected in revised beginning balances.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road and Street	Aviation	Park Non Reverting	Employees Flexible Spending Account	Marion Economic Development Commission
Cash and investments - beginning	\$ 12,590	\$ 399,977	\$ 3,142	\$ 176,265	\$ 43,415	\$ 84,893	\$ 6,243
Receipts:							
Taxes	10,932,789	948,353	-	96,688	-	-	-
Licenses and permits	152,343	5,135	-	-	-	-	-
Intergovernmental	4,245,936	861,384	283,574	6,109	-	-	-
Charges for services	1,793,211	-	-	-	645,275	-	-
Fines and forfeits	88,086	-	-	-	-	-	425
Utility fees	-	-	-	-	-	-	-
Other receipts	9,186,636	5,660	-	-	7,640	92,873	-
Total receipts	<u>26,399,001</u>	<u>1,820,532</u>	<u>283,574</u>	<u>102,797</u>	<u>652,915</u>	<u>92,873</u>	<u>425</u>
Disbursements:							
Personal services	14,444,357	1,193,990	-	-	221,484	3,159	-
Supplies	448,057	365,631	-	2,150	310,492	-	-
Other services and charges	2,954,204	331,564	239,050	201,259	72,606	-	-
Capital outlay	54,978	-	-	-	-	-	-
Other disbursements	8,350,579	-	-	-	164	121,033	-
Total disbursements	<u>26,252,175</u>	<u>1,891,185</u>	<u>239,050</u>	<u>203,409</u>	<u>604,746</u>	<u>124,192</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>146,826</u>	<u>(70,653)</u>	<u>44,524</u>	<u>(100,612)</u>	<u>48,169</u>	<u>(31,319)</u>	<u>425</u>
Cash and investments - ending	<u>\$ 159,416</u>	<u>\$ 329,324</u>	<u>\$ 47,666</u>	<u>\$ 75,653</u>	<u>\$ 91,584</u>	<u>\$ 53,574</u>	<u>\$ 6,668</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Parking Enforcement	IDOT	Abandoned Vehicles	Local Law Continuing Education	Unsafe Building	Parks and Recreation	User Fee
Cash and investments - beginning	\$ 8,663	\$ (8,893)	\$ 1,669	\$ 31,744	\$ (44,672)	\$ (189,305)	\$ 10,456
Receipts:							
Taxes	-	-	-	-	-	402,869	-
Licenses and permits	-	-	-	7,435	-	-	-
Intergovernmental	-	15,487	-	-	-	25,454	-
Charges for services	1,216	-	2,619	5,965	-	289,864	7,428
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	8,893	-	-	274,611	-	-
Total receipts	<u>1,216</u>	<u>24,380</u>	<u>2,619</u>	<u>13,400</u>	<u>274,611</u>	<u>718,187</u>	<u>7,428</u>
Disbursements:							
Personal services	-	-	-	-	-	279,727	-
Supplies	-	-	-	20,236	-	38,321	-
Other services and charges	-	15,487	3,906	18,361	210,805	126,777	1,250
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>15,487</u>	<u>3,906</u>	<u>38,597</u>	<u>210,805</u>	<u>444,825</u>	<u>1,250</u>
Excess (deficiency) of receipts over disbursements	<u>1,216</u>	<u>8,893</u>	<u>(1,287)</u>	<u>(25,197)</u>	<u>63,806</u>	<u>273,362</u>	<u>6,178</u>
Cash and investments - ending	<u>\$ 9,879</u>	<u>\$ -</u>	<u>\$ 382</u>	<u>\$ 6,547</u>	<u>\$ 19,134</u>	<u>\$ 84,057</u>	<u>\$ 16,634</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Rainy Day	County Economic Development Income Tax	TIF Allocation	Cumulative Capital Improvement	Cumulative Capital Development	1925 Police Pension	1937 Fire Pension
Cash and investments - beginning	\$ 82,812	\$ 791,258	\$ 526,664	\$ 99,966	\$ 198,701	\$ 44,180	\$ 44,185
Receipts:							
Taxes	-	-	3,222,718	-	292,483	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	790,186	-	89,944	18,480	1,049,130	1,393,852
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	551,000	-	-	-	-	-	-
Total receipts	<u>551,000</u>	<u>790,186</u>	<u>3,222,718</u>	<u>89,944</u>	<u>310,963</u>	<u>1,049,130</u>	<u>1,393,852</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	1,258,850	2,624,197	-	138,050	1,033,226	1,415,358
Capital outlay	-	-	-	80,349	263,299	-	-
Other disbursements	289,864	302,885	-	-	-	-	-
Total disbursements	<u>289,864</u>	<u>1,561,735</u>	<u>2,624,197</u>	<u>80,349</u>	<u>401,349</u>	<u>1,033,226</u>	<u>1,415,358</u>
Excess (deficiency) of receipts over disbursements	<u>261,136</u>	<u>(771,549)</u>	<u>598,521</u>	<u>9,595</u>	<u>(90,386)</u>	<u>15,904</u>	<u>(21,506)</u>
Cash and investments - ending	<u>\$ 343,948</u>	<u>\$ 19,709</u>	<u>\$ 1,125,185</u>	<u>\$ 109,561</u>	<u>\$ 108,315</u>	<u>\$ 60,084</u>	<u>\$ 22,679</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	County Share Clerk's Fees	City Donation	Animal Control Non Reverting	Reduce Drunk Driving	Fire Department Donations	Police Department Donations	Environmental Public Nuisance
Cash and investments - beginning	\$ -	\$ 3,210	\$ (38,576)	\$ 9,763	\$ 8,763	\$ 5,755	\$ 1,882
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	11,500	-	-	-
Charges for services	-	-	-	-	-	-	9,081
Fines and forfeits	19,118	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	67,473	-	1,326	27,031	-
Total receipts	<u>19,118</u>	<u>-</u>	<u>67,473</u>	<u>11,500</u>	<u>1,326</u>	<u>27,031</u>	<u>9,081</u>
Disbursements:							
Personal services	-	-	-	14,837	-	-	-
Supplies	-	-	26,467	-	2,030	11,977	-
Other services and charges	-	-	94,883	-	-	6,089	4,161
Capital outlay	-	-	-	684	-	-	-
Other disbursements	15,968	-	-	-	-	-	-
Total disbursements	<u>15,968</u>	<u>-</u>	<u>121,350</u>	<u>15,521</u>	<u>2,030</u>	<u>18,066</u>	<u>4,161</u>
Excess (deficiency) of receipts over disbursements	<u>3,150</u>	<u>-</u>	<u>(53,877)</u>	<u>(4,021)</u>	<u>(704)</u>	<u>8,965</u>	<u>4,920</u>
Cash and investments - ending	<u>\$ 3,150</u>	<u>\$ 3,210</u>	<u>\$ (92,453)</u>	<u>\$ 5,742</u>	<u>\$ 8,059</u>	<u>\$ 14,720</u>	<u>\$ 6,802</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Victim's Advocacy Grant	Emergency Gas Award	Juvenile Accountability Grant	Group Gasoline	Public Works Scrapping	Supplemental Adult Probation Services	CSA Grant
Cash and investments - beginning	\$ (7,650)	\$ 2,900	\$ 221	\$ 62,503	\$ 3,142	\$ 7,608	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	32,483	-	-	-	-	-	-
Charges for services	-	-	-	-	-	3,889	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	17,165	-	-	393,679	-	-	14,000
Total receipts	49,648	-	-	393,679	-	3,889	14,000
Disbursements:							
Personal services	34,374	-	-	-	-	-	-
Supplies	-	-	-	456,182	-	1,323	-
Other services and charges	-	-	-	-	-	3,287	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	3,000
Total disbursements	34,374	-	-	456,182	-	4,610	3,000
Excess (deficiency) of receipts over disbursements	15,274	-	-	(62,503)	-	(721)	11,000
Cash and investments - ending	\$ 7,624	\$ 2,900	\$ 221	\$ -	\$ 3,142	\$ 6,887	\$ 11,000

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Neighborhood Association Contributions	Washington Street Economic Development	Investment Incentive Recaptured	2005 Park Bond Construction	City Bond and Interest	2006 Bond Anticipation Note Madjec	Park Bond
Cash and investments - beginning	\$ -	\$ 256	\$ 139,335	\$ 4	\$ 49,904	\$ 4	\$ 225,573
Receipts:							
Taxes	-	-	-	-	172,428	-	214,326
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	10,894	-	13,541
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	750	-	1,335	386	-	-	-
Total receipts	750	-	1,335	386	183,322	-	227,867
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	574	80	198,448	-	411,225
Capital outlay	-	-	-	-	-	-	-
Other disbursements	416	-	138,117	-	-	-	-
Total disbursements	416	-	138,691	80	198,448	-	411,225
Excess (deficiency) of receipts over disbursements	334	-	(137,356)	306	(15,126)	-	(183,358)
Cash and investments - ending	\$ 334	\$ 256	\$ 1,979	\$ 310	\$ 34,778	\$ 4	\$ 42,215

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Industrial Development CREED	Airport Capital Improvement	Assistance to Firefighters	BAN 2010	Justice Assistance Grant	Waterloop Improvements	2011 Bond
Cash and investments - beginning	\$ 2,133,261	\$ 203,161	\$ -	\$ (134,010)	\$ 8,289	\$ 71	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,355,276	693,833	114,116	-	19,740	-	-
Charges for services	-	203,642	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	5,221	-	244,025	-	-	484,383
Total receipts	<u>1,355,276</u>	<u>902,696</u>	<u>114,116</u>	<u>244,025</u>	<u>19,740</u>	<u>-</u>	<u>484,383</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	868,159	-	-	-	-	-	107
Capital outlay	-	760,827	-	-	-	-	-
Other disbursements	<u>1,300,000</u>	<u>-</u>	<u>57,374</u>	<u>110,015</u>	<u>27,697</u>	<u>-</u>	<u>192,205</u>
Total disbursements	<u>2,168,159</u>	<u>760,827</u>	<u>57,374</u>	<u>110,015</u>	<u>27,697</u>	<u>-</u>	<u>192,312</u>
Excess (deficiency) of receipts over disbursements	<u>(812,883)</u>	<u>141,869</u>	<u>56,742</u>	<u>134,010</u>	<u>(7,957)</u>	<u>-</u>	<u>292,071</u>
Cash and investments - ending	<u>\$ 1,320,378</u>	<u>\$ 345,030</u>	<u>\$ 56,742</u>	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ 71</u>	<u>\$ 292,071</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Special Projects Engineer	COPS	Tier 2 Bus Terminal Renovation	Insurance Reserve	Court Cost Due County	Payroll Net	Payroll Federal
Cash and investments - beginning	\$ 25	\$ 8,351	\$ -	\$ (850,468)	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	119,526	61,533	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	33,010	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	34,541	-	4,386,093	-	162,676	1,446,866
Total receipts	-	154,067	61,533	4,386,093	33,010	162,676	1,446,866
Disbursements:							
Personal services	-	161,465	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	61,533	5,623,992	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	28,180	162,676	1,446,866
Total disbursements	-	161,465	61,533	5,623,992	28,180	162,676	1,446,866
Excess (deficiency) of receipts over disbursements	-	(7,398)	-	(1,237,899)	4,830	-	-
Cash and investments - ending	\$ 25	\$ 953	\$ -	\$ (2,088,367)	\$ 4,830	\$ -	\$ -

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll FICA	Payroll Medicare	Payroll State	Payroll County	Payroll Civil PERF	Payroll Voluntary PERF	Payroll Direct Deposit
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	387,793	290,797	429,673	225,076	5,532	99,972	9,150,402
Total receipts	387,793	290,797	429,673	225,076	5,532	99,972	9,150,402
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	387,793	290,797	429,673	225,076	5,532	99,972	9,150,402
Total disbursements	387,793	290,797	429,673	225,076	5,532	99,972	9,150,402
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll AFLAC Accident PT	Payroll AFLAC Cancer PT	Payroll AFLAC PRP PT	Payroll AFLAC Dental Employee	Payroll AFLAC Disability	Payroll AFLAC Life Insurance	Payroll Allstate Dental
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	16,805	7,479	1,891	110,450	9,561	2,455	236
Total receipts	16,805	7,479	1,891	110,450	9,561	2,455	236
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	16,805	7,479	1,891	110,450	9,561	2,455	236
Total disbursements	16,805	7,479	1,891	110,450	9,561	2,455	236
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Allstate Term Life	Payroll Allstate Life	Payroll Anthem Insurance	Payroll Flex Reimbursement	Payroll Cincinnati Life Insurance	Payroll Transamerica	Payroll Fire Union Dues
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	145	88	111,364	19,673	3,793	2,443	26,469
Total receipts	<u>145</u>	<u>88</u>	<u>111,364</u>	<u>19,673</u>	<u>3,793</u>	<u>2,443</u>	<u>26,469</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	145	88	111,364	19,673	3,793	2,443	26,469
Total disbursements	<u>145</u>	<u>88</u>	<u>111,364</u>	<u>19,673</u>	<u>3,793</u>	<u>2,443</u>	<u>26,469</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll Police Union Dues	Payroll Transportation Union	Payroll Street Union Dues	Payroll YMCA Dues	Payroll Chaplaincy Program	Payroll Firefighters PAC	Payroll United Way
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	17,800	4,555	9,260	26,220	5,273	4,564	4,820
Total receipts	17,800	4,555	9,260	26,220	5,273	4,564	4,820
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	17,800	4,555	9,260	26,220	5,273	4,564	4,820
Total disbursements	17,800	4,555	9,260	26,220	5,273	4,564	4,820
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll Credit Union	Payroll Child Support Fee	Payroll Miscellaneous Fees	Payroll Child Support	Payroll Wilson Madison County	Payroll Garnishment	Payroll Loper/Department of Education
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	618,520	988	346	116,669	10,140	18,622	3,265
Total receipts	618,520	988	346	116,669	10,140	18,622	3,265
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	618,520	988	346	116,669	10,140	18,622	3,265
Total disbursements	618,520	988	346	116,669	10,140	18,622	3,265
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll Madison County Clerk	Payroll Delinquent County Taxes	Payroll Social Security Administration	Payroll Treasurer of People	State Annual Child Support Fee	City of Marion-Vehicles	City of Marion-Cell Phones
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	7,436	5,430	3,360	64	715	34,260	9,390
Total receipts	<u>7,436</u>	<u>5,430</u>	<u>3,360</u>	<u>64</u>	<u>715</u>	<u>34,260</u>	<u>9,390</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	7,436	5,430	3,360	64	715	34,260	9,390
Total disbursements	<u>7,436</u>	<u>5,430</u>	<u>3,360</u>	<u>64</u>	<u>715</u>	<u>34,260</u>	<u>9,390</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Grange Life Insurance	OneAmerica	Monumental Life	IRS LEVY MC	Liberty National	D. Aikman	Storm Water Operating
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,251
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	891,997
Other receipts	21,535	107,955	2,625	9,430	19,425	3,000	-
Total receipts	<u>21,535</u>	<u>107,955</u>	<u>2,625</u>	<u>9,430</u>	<u>19,425</u>	<u>3,000</u>	<u>891,997</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	21,535	107,955	2,625	9,430	19,425	3,000	964,617
Total disbursements	<u>21,535</u>	<u>107,955</u>	<u>2,625</u>	<u>9,430</u>	<u>19,425</u>	<u>3,000</u>	<u>964,617</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,620)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,631</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Storm Water Depreciation	Storm Water Depreciation Equipment Reserve	Storm Water Bond Reserve	Storm Water Construction	Storm Water Bond and Interest	Wastewater Operation	Wastewater Depreciation
Cash and investments - beginning	\$ 81,717	\$ 233,201	\$ 429,920	\$ 375,220	\$ 289,098	\$ 190,005	\$ 11,593
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	2,711,685	-
Other receipts	131,765	25,000	-	539,500	376,470	-	293,262
Total receipts	131,765	25,000	-	539,500	376,470	2,711,685	293,262
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	63,847	-	-	541,016	389,959	2,695,009	89,634
Total disbursements	63,847	-	-	541,016	389,959	2,695,009	89,634
Excess (deficiency) of receipts over disbursements	67,918	25,000	-	(1,516)	(13,489)	16,676	203,628
Cash and investments - ending	\$ 149,635	\$ 258,201	\$ 429,920	\$ 373,704	\$ 275,609	\$ 206,681	\$ 215,221

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Wastewater Customer Deposit	Wastewater Construction	Sweetser Restricted	Water Operating	Water Depreciation	Water Bond and Interest
Cash and investments - beginning	\$ 208,785	\$ 90,159	\$ -	\$ 453,264	\$ 242,090	\$ 114,767
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	3,307,793	-	-
Other receipts	66,000	439,892	19,170	-	1,489,025	-
Total receipts	<u>66,000</u>	<u>439,892</u>	<u>19,170</u>	<u>3,307,793</u>	<u>1,489,025</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	58,560	29,897	19,170	3,132,205	987,291	114,767
Total disbursements	<u>58,560</u>	<u>29,897</u>	<u>19,170</u>	<u>3,132,205</u>	<u>987,291</u>	<u>114,767</u>
Excess (deficiency) of receipts over disbursements	<u>7,440</u>	<u>409,995</u>	<u>-</u>	<u>175,588</u>	<u>501,734</u>	<u>(114,767)</u>
Cash and investments - ending	<u>\$ 216,225</u>	<u>\$ 500,154</u>	<u>\$ -</u>	<u>\$ 628,852</u>	<u>\$ 743,824</u>	<u>\$ -</u>

CITY OF MARION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Water Consumer Deposit	Water Quail Hollow	Water Construction	Water Bond Debt Reserve	Cash With Fiscal Agent	Totals
Cash and investments - beginning	\$ 234,982	\$ 21,700	\$ 1,052,178	\$ 97,500	\$ 18,485	\$ 8,545,145
Receipts:						
Taxes	-	-	-	-	-	16,282,654
Licenses and permits	-	-	-	-	-	164,913
Intergovernmental	-	-	-	-	-	11,211,978
Charges for services	-	-	-	-	-	2,962,190
Fines and forfeits	-	-	-	-	-	140,639
Utility fees	-	-	-	-	-	6,911,475
Other receipts	67,045	-	1,347,616	-	5	34,176,777
Total receipts	<u>67,045</u>	<u>-</u>	<u>1,347,616</u>	<u>-</u>	<u>5</u>	<u>71,850,626</u>
Disbursements:						
Personal services	-	-	-	-	-	16,353,393
Supplies	-	-	-	-	-	1,682,866
Other services and charges	-	-	-	-	-	17,917,488
Capital outlay	-	-	-	-	-	1,160,137
Other disbursements	64,591	-	1,823,426	97,500	18,490	35,604,782
Total disbursements	<u>64,591</u>	<u>-</u>	<u>1,823,426</u>	<u>97,500</u>	<u>18,490</u>	<u>72,718,666</u>
Excess (deficiency) of receipts over disbursements	<u>2,454</u>	<u>-</u>	<u>(475,810)</u>	<u>(97,500)</u>	<u>(18,485)</u>	<u>(868,040)</u>
Cash and investments - ending	<u>\$ 237,436</u>	<u>\$ 21,700</u>	<u>\$ 576,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,677,105</u>

CITY OF MARION  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ -
Storm Water	8,256	2,096
Wastewater	24,055	307,831
Water	<u>76,152</u>	<u>421,132</u>
Totals	<u>\$ 108,463</u>	<u>\$ 731,059</u>

CITY OF MARION  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Capital lease	Truck - building inspector	\$ 4,566	\$ 4,865
Capital lease	Energy savings 2011	1,390,566	126,384
Notes and loans payable	2005 insurance note	885,000	199,754
Notes and loans payable	2008 aviation loan	242,882	43,655
Notes and loans payable	2008 animal shelter note	505,000	124,687
Notes and loans payable	2010 bond anticipation note	3,199,245	157,268
General obligation bonds	2011 redevelopment CREED refunding bond	5,565,000	719,496
General obligation bonds	2002 Pennsylvania Avenue	715,000	138,232
General obligation bonds	2005 COIT	5,725,000	472,919
General obligation bonds	2005 park district	<u>4,300,000</u>	<u>406,600</u>
Total governmental activities		<u>22,532,259</u>	<u>2,393,860</u>
Storm Water:			
Loan payable	Storm Sewer separation	<u>2,470,636</u>	<u>358,818</u>
Totals		<u>\$ 25,002,895</u>	<u>\$ 2,752,678</u>

CITY OF MARION  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 3,576,845
Infrastructure	8,301,631
Buildings	12,014,480
Improvements other than buildings	6,601,317
Machinery, equipment and vehicles	12,518,698
Total governmental activities	43,012,971
Storm Water:	
Infrastructure	13,316,651
Machinery, equipment and vehicles	917,872
Total Storm Water	14,234,523
Wastewater:	
Land	25,000
Infrastructure	24,934,271
Buildings	22,701,278
Machinery, equipment and vehicles	1,096,448
Construction in progress	290,631
Total Wastewater	49,047,628
Water:	
Land	340,174
Infrastructure	35,170,707
Buildings	9,523,299
Machinery, equipment and vehicles	2,062,129
Construction in progress	667,679
Total Water	47,763,988
Total capital assets	\$ 154,059,110

CITY OF MARION  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The cash balances of the following funds were overdrawn at December 31, 2011:

Fund	Balance 12-31-11
Animal Control Non Reverting Insurance Reserve	\$ (92,453) (2,088,367)

General Ordinance No. 29-2004, An Ordinance Governing the Operation of the City Insurance Fund, states:

"Section IV. If the funds are totally depleted the Council will appropriate adequate funds to replenish the fund minimum balance."

"Section V. The fund minimum balance should be no less than the recommended amount used for self-funded programs which is normally four (4) months contribution."

A similar comment appeared in prior Report B38894.

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)

**OMISSION OF DEPARTMENTS**

The financial transactions and cash balances of the City Clerk and Probation Department were not included in the 2011 City of Marion Annual Report. These offices had been included in prior Annual Reports. The cash balances at December 31, 2011 are as follows:

Office	Cash Balance 12-31-11
City Clerk	\$ 137,742
Probation Department	2,163

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)

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)

CITY OF MARION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TEMPORARY TRANSFER OF FUNDS**

A temporary transfer of \$1,300,000 was made December 30, 2011, from the Industrial Development Fund to the General Fund. The loan was not repaid by December 31, 2011. The Common Council did not pass an ordinance or resolution approving the transfer. The loan was still outstanding as of May 20, 2012.

A similar comment appeared in prior Report B38894.

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

**APPROPRIATIONS**

The following funds had expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
1925 Police Pension	\$ 8,512
City Bond and Interest	1,979
Park Bond	749

A similar comment appeared in prior Report B38894.

Indiana Code 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."

**POLICE PENSION UNDERPAYMENTS**

The City provides \$900 longevity pay to police officers for up to 20 years of continuous service based on a contract negotiated with the Fraternal Order of Police, Labor Council, Lodge No. 79. Pension benefits determined for 2011 under the 1925 Police Pension Fund did not include longevity pay in the base amount used in the calculations as required. Therefore, pensioners were underpaid in 2011. Underpayments ranged from \$267 to \$641 per pensioner, depending on years of service or widow's benefit.

CITY OF MARION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-8-1-11 Sec. 11(a) states in part: "Salary of a first class patrolman or first class firefighter means the base salary of a patrolman or firefighter plus all longevity increases, if provided by the employer, for service of twenty (20) years or less . . ."

**SCHEDULE OF LEASES AND DEBT**

The Schedule of Leases and Debt included in the City's 2011 Annual Report did not present all debt of the City. The following debt was omitted from the original schedule:

Capital lease:		
Energy savings 2011	\$	1,390,566
Notes and loans payable:		
2008 aviation loan		242,882
2008 animal shelter note		505,000
2010 bond anticipation note		3,199,245
General obligation bonds:		
2002 Pennsylvania Avenue		715,000
2011 Redevelopment CREED refunding bond		5,565,000

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)

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)

**CHANGE IN BEGINNING CASH BALANCES**

The beginning cash balances of the following funds included in the 2011 City Annual Report differed from the ending cash balances of the same fund as reported in the 2010 financial statement.

Fund	Cash Balance 12-31-10	Cash Balance 01-01-11
General	\$ 11,472	\$ 12,590
Cumulative Capital Improvement	101,085	99,966
BAN	1	(134,010)
Federal Equitable Sharing Program	5	-
City Clerk	122,553	-
Storm Water Operating	233,451	233,251
Wastewater Operating	191,005	190,005
Water Operating	454,364	453,264

CITY OF MARION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Utility operating funds variances are the result of imprest cash not being recognized. The City Clerk balance is an independent department balance not included with other City funds. The variances of the remaining funds represent corrections of prior year disbursements reflected in revised beginning balances.

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)

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

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2011. 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, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

STATE BOARD OF ACCOUNTS

June 20, 2012

(This page intentionally left blank.)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MARION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

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 HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	PI-10-002	\$ 69,769
Total for federal grantor agency			<u>69,769</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute JAG Program Cluster Edward Byrne Memorial Justice Assistance Grant Program	16.738		
		2010-DJ-BX-0350	16,577
		2011-DJ-BX-2729	<u>11,442</u>
Total for cluster			<u>28,019</u>
Direct Grant Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0340	<u>119,526</u>
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	2010-VA-GX-004903	<u>24,859</u>
Total for federal grantor agency			<u>172,404</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Federal Transit Cluster ARRA-Federal Transit-Capital Investment Grants	20.500	A249-09-321074	<u>62,118</u>
Federal Transit - Formula Grants Operating Assistance	20.507	1802806O	179,441
		18028A06O	442,587
Fare Rebate		18Y28A06O	3,125
Administration and Marketing		18Y2806C	2,400
		18Y28A06C	<u>7,200</u>
Total for program			<u>634,753</u>
Total for cluster			<u>696,871</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MARION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011  
(Continued)

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 TRANSPORTATION (continued)</u>			
Pass-Through Grant County			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
		PT-11-04-04-18	7,000
		PT-12-11-04-16	3,250
			<u>10,250</u>
Total for program			<u>10,250</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		
		CA-2011-08-01-06	2,000
		K8-2011-03-03-08	2,500
		K8-2012-03-03-09	1,250
			<u>5,750</u>
Total for program			<u>5,750</u>
Total for cluster			<u>16,000</u>
Direct Grant			
Airport Improvement Program	20.106		
		3-18-0053-16	18,009
		3-18-0053-18	657,964
		3-18-0053-19	8,837
			<u>684,810</u>
Total for program			<u>684,810</u>
Total for federal grantor agency			<u>1,397,681</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Office of Energy Development			
ARRA - Energy Efficiency and Conservation			
Block Grant Program (EECBG)	81.128	A302-11EECBG-04-004	248,150
Total for federal grantor agency			<u>248,150</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FH-00578	114,116
Total for federal grantor agency			<u>114,116</u>
Total federal awards expended			<u>\$ 2,002,120</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MARION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. 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 cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2011</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>\$ 14,010</u>

CITY OF MARION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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 June 20, 2012, with Wayne W. Seybold, Mayor; Cindy Wright, Controller; and Donald W. Batchelor, President of the Common Council.