

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CITY OF MARION MUNICIPAL UTILITIES

GRANT COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
01/15/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Utilities Director	John C. Binkerd	01-01-14 to 12-31-15
Office Manager	Mendy S. Cox	01-01-14 to 12-31-15
Controller	Tameria N. Miller (Vacant) Retha S. Hicks	01-01-14 to 08-05-14 08-06-14 to 09-06-14 09-07-14 to 12-31-15
Mayor	Wayne W. Seybold	01-01-12 to 12-31-15
President of the Utility Service Board	Robert J. Logan	01-01-14 to 12-31-15
President of the Board of Public Works and Safety	Bryan K. Harris	01-01-14 to 12-31-15
President of the Common Council	Henry L. Smith Joselyn M. Whitticker	01-01-14 to 12-31-14 01-01-15 to 12-31-15



**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 ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Water Utility, Wastewater Utility, and Storm Water Utility (Utilities), departments of the City of Marion (City), as of and for the year ended December 31, 2014. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Marion, as of December 31, 2014, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with 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 financial position of the Utilities, as of December 31, 2014, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 5, 2015

CITY OF MARION MUNICIPAL UTILITIES  
STATEMENT OF NET POSITION  
December 31, 2014

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 177,990	\$ 200,381	\$ 216,158
Accounts receivable (net of allowance)	384,903	447,514	327,732
Inventories	134,506	6,004	35,664
Prepaid items	28,374	24,428	8,367
Loan receivable	250,000	700,000	-
Other receivables	4,797	5,405	1,650
Interest receivable	-	2,305	-
	<u>980,570</u>	<u>1,386,037</u>	<u>589,571</u>
<b>Total current assets</b>			
<b>Noncurrent assets:</b>			
<b>Restricted cash and cash equivalents:</b>			
Depreciation cash and cash equivalents	566,668	663,448	120,775
Bond and interest cash and cash equivalents	-	-	234,036
Bond and interest reserve cash and cash equivalents	-	-	429,920
Construction cash and cash equivalents	243,653	524,063	552,452
Customer deposits cash and cash equivalents	263,247	240,520	-
Quail Hollow cash and cash equivalents	21,700	-	-
LTCP cash and cash equivalents	-	887,490	-
Equipment reserve cash and cash equivalents	-	-	232,232
H2O community cash and cash equivalents	1,050	-	-
City trash billings cash and cash equivalents	-	44,167	-
Accounts receivable - city trash billings	-	102,083	-
Loan receivable	300,000	950,000	100,000
	<u>1,396,318</u>	<u>3,411,771</u>	<u>1,669,415</u>
<b>Total restricted assets</b>			
<b>Capital assets:</b>			
Land and construction in progress	3,310,199	665,667	323
Other capital assets (net of accumulated depreciation)	22,288,995	24,269,828	8,818,557
	<u>25,599,194</u>	<u>24,935,495</u>	<u>8,818,880</u>
<b>Total capital assets</b>			
<b>Total noncurrent assets</b>	<u>26,995,512</u>	<u>28,347,266</u>	<u>10,488,295</u>
<b>Total assets</b>	<u>27,976,082</u>	<u>29,733,303</u>	<u>11,077,866</u>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	116,820	91,185	14,438
Wages payable	55,200	67,673	27,482
Taxes payable	18,987	-	-
Compensated absences payable	73,528	70,404	22,905
<b>Current liabilities payable from restricted assets:</b>			
Accounts payable	-	30,311	1,200
Contracts payable	51,302	23,199	15,220
Customer deposits	263,247	240,520	-
Due to city - trash billings	-	146,250	-
Interest payable	2,305	-	-
Other liabilities - H2O community	1,050	-	-
Loan payable	600,000	-	352,355
	<u>1,182,439</u>	<u>669,542</u>	<u>433,600</u>
<b>Total current liabilities</b>			
<b>Noncurrent liabilities:</b>			
Loan payable	-	-	1,120,506
	<u>1,182,439</u>	<u>669,542</u>	<u>1,554,106</u>
<b>Total liabilities</b>			
<b><u>Net Position</u></b>			
Net investment in capital assets	25,599,194	24,935,495	7,346,019
Restricted for debt service	-	-	663,956
Unrestricted	1,194,449	4,128,266	1,513,785
	<u>\$ 26,793,643</u>	<u>\$ 29,063,761</u>	<u>\$ 9,523,760</u>
<b>Total net position</b>			

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

CITY OF MARION MUNICIPAL UTILITIES  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
As of and for the Year Ended December 31, 2014

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Unmetered revenue	\$ 6,663	\$ -	\$ -
Measured revenue:			
Residential	2,129,665	2,588,159	606,850
Industrial	165,301	232,309	275,159
Commercial	607,565	877,247	671,721
Institutional	450,748	769,749	316,183
Other	21,182	126,312	-
Fire protection revenue	775,754	-	-
Forfeited discounts	33,914	100,853	34,783
Other	46,621	210,772	-
	<u>4,237,413</u>	<u>4,905,401</u>	<u>1,904,696</u>
Total operating revenues			
Operating expenses:			
Wells - operation	117,516	-	-
Wells - maintenance	102,676	-	-
Treatment plant - operation	830,389	1,028,841	-
Treatment plant - maintenance	504,765	791,370	-
Distribution - operation	128,261	-	-
Distribution - maintenance	718,178	-	-
Sewer - operation	-	-	87,205
Sewer - maintenance	-	103,999	501,639
Laboratory expenses	-	288,346	-
Customer accounts	335,785	334,105	86,039
Administration and general	478,609	515,482	353,409
Bad debt expense	21,029	5,291	31,253
Depreciation	1,014,468	1,065,677	317,772
Taxes	40,467	-	-
	<u>4,292,143</u>	<u>4,133,111</u>	<u>1,377,317</u>
Total operating expenses			
Operating income (loss)	<u>(54,730)</u>	<u>772,290</u>	<u>527,379</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	3,810	8,295	5,516
Miscellaneous revenue	48,388	-	5,020
Loss on disposal of capital assets	-	(1,952)	-
Interest expense	(2,305)	-	(47,676)
	<u>49,893</u>	<u>6,343</u>	<u>(37,140)</u>
Total nonoperating revenues (expenses)			
Income (loss) before contributions	(4,837)	778,633	490,239
Capital contributions from public entities	<u>25,433</u>	<u>49,457</u>	<u>12,400</u>
Change in net position	20,596	828,090	502,639
Total net position - beginning	<u>26,773,047</u>	<u>28,235,671</u>	<u>9,021,121</u>
Total net position - ending	<u>\$ 26,793,643</u>	<u>\$ 29,063,761</u>	<u>\$ 9,523,760</u>

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

CITY OF MARION MUNICIPAL UTILITIES  
STATEMENT OF CASH FLOWS  
As of and for the Year Ended December 31, 2014

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,228,835	\$ 4,851,149	\$ 1,868,871
Payments to suppliers and contractors	(1,512,823)	(1,100,615)	(270,087)
Payments to employees for wages and benefits	(1,695,966)	(1,889,891)	(735,309)
Net cash provided by operating activities	<u>1,020,046</u>	<u>1,860,643</u>	<u>863,475</u>
Cash flows from noncapital financing activities:			
Loan from/to other utilities	600,000	(600,000)	-
City of Marion trash billings	-	17,193	-
Net cash provided (used) by noncapital financing activities	<u>600,000</u>	<u>(582,807)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,742,282)	(1,157,907)	(168,083)
Principal paid on capital debt	-	-	(342,283)
Interest paid on capital debt	-	-	(47,676)
Capital contributions	25,433	49,457	-
Nonoperating receipts	48,388	-	5,020
Net cash used by capital and related financing activities	<u>(1,668,461)</u>	<u>(1,108,450)</u>	<u>(553,022)</u>
Cash flows from investing activities:			
Interest received	3,810	5,990	5,516
Net increase (decrease) in cash and cash equivalents	(44,605)	175,376	315,969
Cash and cash equivalents, January 1	<u>1,318,913</u>	<u>2,384,693</u>	<u>1,469,604</u>
Cash and cash equivalents, December 31	<u>\$ 1,274,308</u>	<u>\$ 2,560,069</u>	<u>\$ 1,785,573</u>
Unrestricted cash and cash equivalents	\$ 177,990	\$ 200,381	\$ 216,158
Restricted cash and cash equivalents	<u>1,096,318</u>	<u>2,359,688</u>	<u>1,569,415</u>
Cash and cash equivalents, December 31	<u>\$ 1,274,308</u>	<u>\$ 2,560,069</u>	<u>\$ 1,785,573</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ (54,730)</u>	<u>\$ 772,290</u>	<u>\$ 527,379</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,014,468	1,065,677	317,772
Bad debt expense	21,029	5,291	31,253
(Increase) decrease in assets:			
Accounts receivable	(12,325)	(53,701)	(36,318)
Inventories	(3,740)	3,426	(2,004)
Prepaid items	3,433	(1,795)	(586)
Other receivables	(3,480)	(2,901)	493
Increase (decrease) in liabilities:			
Accounts payable	33,085	13,800	1,355
Wages payable	5,154	10,118	6,009
Taxes payable	(121)	-	-
Compensated absences payable	10,046	22,523	7,852
Accounts payable - restricted	-	23,565	(4,950)
Contracts payable - restricted	-	-	15,220
Other liabilities - H2O community	1,050	-	-
Customer deposits	6,177	2,350	-
Total adjustments	<u>1,074,776</u>	<u>1,088,353</u>	<u>336,096</u>
Net cash provided by operating activities	<u>\$ 1,020,046</u>	<u>\$ 1,860,643</u>	<u>\$ 863,475</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through accounts payable	\$ 4,619	\$ 2,935	\$ -
Capital assets acquired through accounts payable - restricted	-	6,747	1,200
Capital assets acquired through contracts payable - restricted	51,302	23,199	-
Capital assets acquired through public contributions	-	-	12,400

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

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Marion Municipal Utilities (Utilities) and are not intended to present fairly the position of the City of Marion (City). The Utilities, whose operations are controlled by the City, represent all of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

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

When both restricted and unrestricted resources are available for use, the Utilities' policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

The financial statements report assets restricted by bond covenants of \$0; \$0; and \$663,956 for the Water, Wastewater, and Storm Water Utilities, respectively, of which \$663,956 is restricted for Storm Water by enabling legislation.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Infrastructure	5,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5-20 years
Transportation equipment	5,000	Straight-line	10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 7 days per year. Unused sick leave may be accumulated to a maximum of 37 days. Accumulated sick leave is not paid to employees upon termination, but is paid through cash payments upon retirement.

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Annual Leave – Utility employees earn annual leave at rates from 11 days to 31 days per year based upon the number of years of service. Annual leave may be accumulated to a maximum of the current year's entitlement. Accumulated annual leave is paid to employees through cash payments upon termination or retirement.

Sick leave and annual leave is accrued when incurred and reported as a liability.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

II. Detailed Notes on All Funds

A. Deposits and Investments

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 Utilities do not have a deposit policy for custodial credit risk. At December 31, 2014, the deposit balances were \$1,274,308, \$2,560,069, and \$1,785,573 for the Water, Wastewater, and Storm Water Utilities, respectively.

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.

B. Loans Receivable

Loans receivable from the City of Marion (City) were \$1,000,000 at December 31, 2012. Loans totaling \$1,600,000 were made to the City in 2013. The City repaid \$900,000 in 2013. There was no loan activity with the City in 2014. At December 31, 2014, the Utilities had loans receivable from the City of \$1,700,000 (Water Operating \$250,000; Water Construction \$300,000; Wastewater Operating \$100,000; Wastewater Depreciation \$100,000; Wastewater Construction \$350,000; Wastewater Long-Term Control Plan \$500,000; Storm Water Construction \$100,000).

The Wastewater Utility loaned \$600,000 to the Water Utility in 2014 and this loan is still outstanding at December 31, 2014.

C. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

**CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 340,174	\$ -	\$ -	\$ 340,174
Construction in progress	1,536,840	1,433,185	-	2,970,025
<b>Total capital assets, not being depreciated</b>	<b>1,877,014</b>	<b>1,433,185</b>	<b>-</b>	<b>3,310,199</b>
Capital assets, being depreciated:				
Buildings	10,316,613	-	-	10,316,613
Infrastructure	35,973,603	47,130	-	36,020,733
Machinery and equipment	1,566,523	89,608	-	1,656,131
Transportation equipment	827,183	20,100	-	847,283
<b>Totals</b>	<b>48,683,922</b>	<b>156,838</b>	<b>-</b>	<b>48,840,760</b>
Less accumulated depreciation for:				
Buildings	5,739,761	202,365	-	5,942,126
Infrastructure	18,478,497	605,351	-	19,083,848
Machinery and equipment	819,966	154,645	-	974,611
Transportation equipment	499,073	52,107	-	551,180
<b>Totals</b>	<b>25,537,297</b>	<b>1,014,468</b>	<b>-</b>	<b>26,551,765</b>
<b>Total capital assets, being depreciated, net</b>	<b>23,146,625</b>	<b>(857,630)</b>	<b>-</b>	<b>22,288,995</b>
<b>Total capital assets, net</b>	<b>\$ 25,023,639</b>	<b>\$ 575,555</b>	<b>\$ -</b>	<b>\$ 25,599,194</b>
<b>Wastewater Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 27,443	\$ 520	\$ -	\$ 27,963
Construction in progress	516,118	627,257	505,671	637,704
<b>Total capital assets, not being depreciated</b>	<b>543,561</b>	<b>627,777</b>	<b>505,671</b>	<b>665,667</b>
Capital assets, being depreciated:				
Buildings	23,487,575	92,390	24,400	23,555,565
Infrastructure	26,313,164	259,253	-	26,572,417
Machinery and equipment	697,158	634,276	-	1,331,434
Transportation equipment	629,179	-	-	629,179
<b>Totals</b>	<b>51,127,076</b>	<b>985,919</b>	<b>24,400</b>	<b>52,088,595</b>
Less accumulated depreciation for:				
Buildings	14,024,881	457,021	22,448	14,459,454
Infrastructure	11,733,127	494,768	-	12,227,895
Machinery and equipment	450,691	100,039	-	550,730
Transportation equipment	566,839	13,849	-	580,688
<b>Totals</b>	<b>26,775,538</b>	<b>1,065,677</b>	<b>22,448</b>	<b>27,818,767</b>
<b>Total capital assets, being depreciated, net</b>	<b>24,351,538</b>	<b>(79,758)</b>	<b>1,952</b>	<b>24,269,828</b>
<b>Total capital assets, net</b>	<b>\$ 24,895,099</b>	<b>\$ 548,019</b>	<b>\$ 507,623</b>	<b>\$ 24,935,495</b>
<b>Storm Water Utility:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 323	\$ -	\$ 323
Capital assets, being depreciated:				
Infrastructure	13,607,754	35,717	-	13,643,471
Machinery and equipment	252,530	1,200	-	253,730
Transportation equipment	882,525	65,100	-	947,625
<b>Totals</b>	<b>14,742,809</b>	<b>102,017</b>	<b>-</b>	<b>14,844,826</b>
Less accumulated depreciation for:				
Infrastructure	5,055,970	245,740	-	5,301,710
Machinery and equipment	202,673	10,546	-	213,219
Transportation equipment	449,854	61,486	-	511,340
<b>Totals</b>	<b>5,708,497</b>	<b>317,772</b>	<b>-</b>	<b>6,026,269</b>
<b>Total capital assets, being depreciated, net</b>	<b>9,034,312</b>	<b>(215,755)</b>	<b>-</b>	<b>8,818,557</b>
<b>Total capital assets, net</b>	<b>\$ 9,034,312</b>	<b>\$ (215,432)</b>	<b>\$ -</b>	<b>\$ 8,818,880</b>

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 1,014,468
Wastewater	1,065,677
Storm Water	<u>317,772</u>
 Total depreciation expense	 <u><u>\$ 2,397,917</u></u>

D. Construction Commitments

Construction work in progress is composed of the following:

	2014	
<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Water Utility:		
Filter Upgrade	\$ 2,949,345	\$ 348,155
Lagoon Renovation	12,798	237,202
SR 18 Booster Station	<u>7,882</u>	<u>47,118</u>
 Totals	 <u><u>\$ 2,970,025</u></u>	 <u><u>\$ 632,475</u></u>
 Wastewater Utility:		
Grit Removal Headworks	\$ 41,035	\$ 458,965
Pump Station Headworks	112,209	1,887,791
Miller/Alabama storm separation	<u>484,460</u>	<u>115,540</u>
 Totals	 <u><u>\$ 637,704</u></u>	 <u><u>\$ 2,462,296</u></u>
 Storm Water Utility:		
4 areas sewer rehab	<u>323</u>	<u>215,472</u>
 Totals	 <u><u>\$ 323</u></u>	 <u><u>\$ 215,472</u></u>

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Operating Lease

The Water Utility has entered into an operating lease having initial or remaining noncancelable terms exceeding one year for a mailing system. Rental expenditures for this lease were \$2,064. The following is a schedule by years of future minimum rental payments as of December 31, 2014:

		Water Utility		
2015	\$	2,064		
2016		2,064		
Total	\$	4,128		

F. Long-Term Liabilities

1. Loan Payable

The Storm Water Utility has entered into a State Revolving Fund loan. Annual debt service requirements to maturity for the loan, including interest of \$86,974 are as follows:

	Storm Water Utility				
	Principal	Interest			
2015	\$	352,355	\$	21,356	
2016		362,724		32,495	
2017		373,397		21,976	
2018		384,385		11,147	
Totals	\$	1,472,861	\$	86,974	

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan payable:					
Storm Water Utility	\$ 1,815,144	\$ -	\$ 342,283	\$ 1,472,861	\$ 352,355

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

G. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Customer deposits	\$ 263,247	\$ 240,520	\$ -
Bond and interest	-	-	234,036
Bond and interest reserve	-	-	429,920
City trash billings	-	146,250	-
Internally restricted	<u>1,133,071</u>	<u>3,025,001</u>	<u>1,005,459</u>
 Total restricted assets	 <u>\$ 1,396,318</u>	 <u>\$ 3,411,771</u>	 <u>\$ 1,669,415</u>

H. Revenues Pledged

The Storm Water Utility has pledged future operating revenues, net of specified operating expenditures, to repay the State Revolving Fund loan received in 2001. Proceeds from the loan provided financing for storm water infrastructure improvements. The loan is payable solely from net operating revenues and is payable through 2018. Annual principal and interest payments are expected to require less than 20 percent of net revenues.

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past 3 years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 30, 2005. The Utility has approximately 10,598 customers.

2. Wastewater Utility

The current rate structure was approved by the City of Marion Common Council on February 15, 2011. The rate structure has a rate increase built in each year from 2011 to 2026. The average increase for 2014 was approximately 8 percent. The Utility has approximately 10,432 customers.

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Storm Water Utility

The current rate structure was approved by the City of Marion Common Council on November 16, 1994. The Utility has approximately 11,841 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. On July 1, 2013, PERF changed from an agent multiple-employer to a cost-sharing multiple-employer retirement plan. 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:

Indiana Public Retirement System  
1 North Capitol 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.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is not presented as an asset/liability of the proprietary funds.

D. Subsequent Events

On December 15, 2014, the City of Marion approved General Ordinance No. 13-2014, thereby transferring the control and supervision over the collection of refuse/garbage/recycling (including billing and collecting fees therefore) from the Board of Public Works to the Utility Service Board. Effective January 1, 2015, a separate Solid Waste Utility will be established.

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

A lease of \$1,800,000 dated September 3, 2015, was entered into for the acquisition of equipment necessary to operate the Solid Waste Utility.

On May 26, 2015, the City of Marion approved General Ordinance No. 3-2015, authorizing the issuance of Sewage Works Revenue Bonds. The bond proceeds are to be used for improvements and extensions to the sewage works. On September 1, 2015, \$8,610,000 of bonds was issued at a 3.30 percent net interest cost. The bonds have a July 1, 2036 final maturity.

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the City of Marion. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.