



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF MARION
MARION COUNTY
DECEMBER 31, 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual General Fund.....	27
Street Construction, Maintenance, and Repair Fund	28
Police, Dispatch, and Fire Income Tax Fund	29
Statement of Fund Net Position - Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds	36
Statement of Fiduciary Net Position - Custodial Funds.....	40
Statement of Changes in Fiduciary Net Position - Custodial Funds.....	41
Notes to the Basic Financial Statements.....	42

**CITY OF MARION
MARION COUNTY
DECEMBER 31, 2020**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset):	
Ohio Public Employees Retirement System - Traditional	108
Ohio Public Employees Retirement System - Combined	111
Ohio Police and Fire Pension Fund.....	112
Schedule of the City's Proportionate Share of the Net OPEB Liability:	
Ohio Public Employees Retirement System	114
Ohio Police and Fire Pension Fund	115
Schedule of the City's Contributions:	
Ohio Public Employees Retirement System	116
Ohio Police and Fire Pension Fund	118
Notes to Required Supplementary Information	120
Schedule of Expenditures of Federal Awards	123
Notes to the Schedule of Expenditures of Federal Awards	124
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	125
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	127
Schedule of Findings.....	129
Prepared by Management:	
Summary Schedule of Prior Audit Findings	137
Corrective Action Plan	139

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

City of Marion
Marion County
233 W. Center Street
Marion, Ohio 43302

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Marion County, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street Construction, Maintenance and Repair, and Police, Dispatch and Fire Income Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 25 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 25, 2022

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The discussion and analysis of the City of Marion's financial performance provides an overview of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2020 are as follows:

In total, the City's net position decreased 3 percent from the prior year; a decrease of almost 10 percent for governmental activities and an increase of 10 percent for business-type activities.

General revenues made up 70 percent of the total revenues for governmental activities in 2020, and of this amount, 73 percent was provided through municipal income taxes, the most critical of the City's revenue sources.

Program revenues, primarily user charges, made up 95 percent of total revenues for business-type activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General Fund; the Street Construction, Maintenance, and Repair and the Police, Dispatch, and Fire Income Tax special revenue funds; and the Sewer, Sanitation, Landfill, Storm Water, and Aquatics Center enterprise funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2020. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

These statements report the City's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, equipment, sewer and storm water lines). These factors must be considered when assessing the overall health of the City.

In the statement of net position and the statement of activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, basic utility services, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's sewer, sanitation, landfill, and storm water services as well as the City's aquatics center are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General Fund; the Street Construction, Maintenance, and Repair and Police, Dispatch, and Fire Income Tax special revenue funds; and the Sewer, Sanitation, Landfill, Storm Water, and Aquatics Center enterprise funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Proprietary Funds - The City has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The City uses enterprise funds to account for sewer, sanitation, landfill, storm water, and the aquatics center's operations. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The City's internal service fund accounts for the City's central garage which provides vehicle maintenance to departments of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2020 and 2019.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Assets</u>						
Current and Other Assets	\$20,790,055	\$18,924,375	\$11,300,609	\$12,346,402	\$32,090,664	\$31,270,777
Net Pension Asset	60,252	25,422	31,039	12,520	91,291	37,942
Capital Assets, Net	48,546,200	50,542,795	64,486,552	50,258,263	113,032,752	100,801,058
Total Assets	<u>69,396,507</u>	<u>69,492,592</u>	<u>75,818,200</u>	<u>62,617,185</u>	<u>145,214,707</u>	<u>132,109,777</u>
<u>Deferred Outflows of Resources</u>						
Pension	5,057,747	10,697,307	658,293	1,519,162	5,610,428	12,101,799
OPEB	2,941,722	2,325,362	460,242	199,022	3,351,906	2,450,715
Deferred Charge on Refunding	46,520	0	677,009	0	723,529	0
Total Deferred Outflows of Resources	<u>8,045,989</u>	<u>13,022,669</u>	<u>1,795,544</u>	<u>1,718,184</u>	<u>9,685,863</u>	<u>14,552,514</u>
<u>Liabilities</u>						
Current and Other Liabilities	1,481,143	1,532,566	4,082,736	3,158,330	5,563,879	4,690,896
Long-Term Liabilities						
Pension	29,423,335	36,845,306	3,728,909	5,039,155	33,152,244	41,884,461
OPEB	8,203,929	7,674,845	2,550,505	2,317,714	10,754,434	9,992,559
Other Amounts	7,995,487	8,355,338	51,576,681	40,478,586	59,572,168	48,833,924
Total Liabilities	<u>47,103,894</u>	<u>54,408,055</u>	<u>61,938,831</u>	<u>50,993,785</u>	<u>109,042,725</u>	<u>105,401,840</u>
<u>Deferred Inflows of Resources</u>						
Pension	3,910,903	257,707	851,055	169,539	4,656,346	312,576
OPEB	1,951,130	980,465	393,118	65,380	2,294,190	972,176
Other Amounts	1,645,670	1,577,292	0	0	1,645,670	1,577,292
Total Deferred Inflows of Resources	<u>7,507,703</u>	<u>2,815,464</u>	<u>1,244,173</u>	<u>234,919</u>	<u>8,596,206</u>	<u>2,862,044</u>
<u>Net Position</u>						
Net Investment in Capital Assets	45,552,912	46,918,351	13,836,042	11,217,937	59,388,954	58,136,288
Restricted	6,770,507	7,261,040	0	0	6,770,507	7,261,040
Unrestricted (Deficit)	(29,492,520)	(28,887,649)	594,698	1,888,728	(28,897,822)	(26,998,921)
Total Net Position	<u>\$22,830,899</u>	<u>\$25,291,742</u>	<u>\$14,430,740</u>	<u>\$13,106,665</u>	<u>\$37,261,639</u>	<u>\$38,398,407</u>

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The net pension/OPEB liability (asset) reported by the City at December 31, 2020, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability (asset), and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the City. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and the net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB changes noted in the above table reflect an overall decrease in deferred outflows and overall increase in deferred inflows. These changes are affected by changes in benefits, contribution rates, return on investments, and actuarial assumptions. The decrease in the net pension liability and increase in the net OPEB liability represent the City's proportionate share of the unfunded benefits.

Aside from the changes related to pension/OPEB, there were few other changes of note for governmental activities. The increase in current and other assets was primarily an increase in cash and cash equivalents and largely related to a refund from the Bureau of Workers' Compensation (a large portion received in December 2020). There was also a modest increase in municipal income taxes receivable (in part, due to economic restoration) and an increase in the internal balance from resources due to governmental activities from the business-type activities. The decrease in net capital assets as well as the investment in capital assets was primarily due to annual depreciation.

There were several significant changes from the prior year for business-type activities. The decrease in current and other assets was largely due to a decrease in cash and cash equivalents as resources continue to be spent on ongoing construction. This overall decrease was partially offset by an increase in resources to be received from the Ohio Water Development Authority for the wastewater treatment plant upgrade. The increase in net capital assets was due to asset additions; while there were additions financed with additional debt, there was also a number of additions paid for with cash. With significant ongoing construction, current and other liabilities increased due to liabilities to contractors at year end. The increase in other long-term liabilities is due to additional borrowing from the Ohio Water Development Authority and from the Ohio Public Works Commission for the wastewater treatment plant and for sanitary sewer and storm water improvements.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Table 2 reflects the change in net position for 2020 and 2019.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$2,727,129	\$2,921,764	\$12,143,106	\$12,810,050	\$14,870,235	\$15,731,814
Operating Grants, Contributions, and Interest	6,231,916	3,727,885	0	0	6,231,916	3,727,885
Capital Grants and Contributions	1,264,027	2,097,822	300,000	505,800	1,564,027	2,603,622
Total Program Revenues	<u>10,223,072</u>	<u>8,747,471</u>	<u>12,443,106</u>	<u>13,315,850</u>	<u>22,666,178</u>	<u>22,063,321</u>
General Revenues						
Property Taxes Levied for General Purposes	1,218,729	1,125,845	0	0	1,218,729	1,125,845
Property Taxes Levied for Police and Fire Pension	217,849	206,596	0	0	217,849	206,596
Payment in Lieu of Taxes	345,041	243,963	0	0	345,041	243,963
Municipal Income Taxes Levied for General Purposes	8,622,186	8,528,149	0	0	8,622,186	8,528,149
Municipal Income Taxes Levied for Street Construction, Maintenance, and Repair	646,464	646,790	0	0	646,464	646,790
Municipal Income Taxes Levied for Police and Fire	7,524,588	7,502,943	0	0	7,524,588	7,502,943
Municipal Income Taxes Levied for Capital Improvements	429,403	430,418	0	0	429,403	430,418
Grants and Entitlements not Restricted to Specific Programs	1,102,004	1,037,866	0	0	1,102,004	1,037,866
Franchise Taxes	345,045	337,123	0	0	345,045	337,123
Interest	188,405	307,440	0	0	188,405	307,440
Other	3,075,744	823,593	591,734	430,973	3,667,478	1,254,566
Total General Revenues	<u>23,715,458</u>	<u>21,190,726</u>	<u>591,734</u>	<u>430,973</u>	<u>24,307,192</u>	<u>21,621,699</u>
Total Revenues	<u>33,938,530</u>	<u>29,938,197</u>	<u>13,034,840</u>	<u>13,746,823</u>	<u>46,973,370</u>	<u>43,685,020</u>
<u>Program Expenses</u>						
Security of Persons and Property						
Police	9,060,674	1,871,599	0	0	9,060,674	1,871,599
Fire	9,012,817	136,682	0	0	9,012,817	136,682
Other	279,861	296,836	0	0	279,861	296,836
Public Health	339,155	339,155	0	0	339,155	339,155
Leisure Time Activities	1,331,189	1,458,059	0	0	1,331,189	1,458,059
Community Environment	210,329	286,093	0	0	210,329	286,093
Basic Utility Services	108,274	0	0	0	108,274	0
Transportation						
Transit	987,051	1,123,124	0	0	987,051	1,123,124
Other	7,186,847	7,258,051	0	0	7,186,847	7,258,051

(continued)

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Program Expenses (continued)</u>						
General Government						
Court	\$2,225,304	\$2,286,098	\$0	\$0	\$2,225,304	\$2,286,098
Other	5,570,988	4,490,408	0	0	5,570,988	4,490,408
Interest and Fiscal Charges	93,294	123,892	0	0	93,294	123,892
Sewer	0	0	7,424,384	7,745,938	7,424,384	7,745,938
Sanitation	0	0	2,835,550	2,759,452	2,835,550	2,759,452
Landfill	0	0	(12,406)	(12,214)	(12,406)	(12,214)
Storm Water	0	0	1,236,739	1,325,739	1,236,739	1,325,739
Aquatics Center	0	0	220,088	464,958	220,088	464,958
Total Expenses	<u>36,405,783</u>	<u>19,669,997</u>	<u>11,704,355</u>	<u>12,283,873</u>	<u>48,110,138</u>	<u>31,953,870</u>
Increase (Decrease) in Net Position						
Before Transfers	(2,467,253)	10,268,200	1,330,485	1,462,950	(1,136,768)	11,731,150
Transfers	6,410	6,410	(6,410)	(6,410)	0	0
Increase (Decrease) in Net Position	<u>(2,460,843)</u>	<u>10,274,610</u>	<u>1,324,075</u>	<u>1,456,540</u>	<u>(1,136,768)</u>	<u>11,731,150</u>
Net Position Beginning of Year	<u>25,291,742</u>	<u>15,017,132</u>	<u>13,106,665</u>	<u>11,650,125</u>	<u>38,398,407</u>	<u>26,667,257</u>
Net Position End of Year	<u>\$22,830,899</u>	<u>\$25,291,742</u>	<u>\$14,430,740</u>	<u>\$13,106,665</u>	<u>\$37,261,639</u>	<u>\$38,398,407</u>

The above table reflects the revenues and expenses for operating the City during 2020. For governmental activities, there was a 17 percent increase in program revenues. The increase in operating grants and contributions was largely due to the receipt of COVID relief resources. The decrease in capital grants and contributions was due to resources received in the prior year from the Ohio Department of Transportation for street resurfacing. The increase in general revenues was primarily related to refunds received from the Bureau of Workers' Compensation. The increase in expenses was primarily due to the increase in pension/OPEB expense, most significantly with the police and fire departments (in the prior year there was an overall negative OPEB expense).

As is to be expected, 95 percent of the revenues for business-type activities are received through program revenues. The decrease in charges for services is largely related to the aquatics center being closed due to COVID. The decrease in capital grants and contributions is related to resources received in the prior year from the Ohio Public Works Commission. The increase in other revenue is generally related to Bureau of Workers' Compensation refunds. The overall decrease in expenses was not significant; however, note the decrease in expenses for the aquatics center due to being closed.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Security of Persons and Property				
Police	\$9,060,674	\$1,871,599	\$8,147,537	\$1,414,602
Fire	9,012,817	136,682	6,410,549	(966,387)
Other	279,861	296,836	279,861	296,836
Public Health	339,155	339,155	343,517	339,155
Leisure Time Activities	1,331,189	1,458,059	1,107,818	1,232,937
Community Environment	210,329	286,093	170,153	175,770
Basic Utility Services	108,274	0	0	0
Transportation				
Transit	987,051	1,123,124	202,021	342,857
Other	7,186,847	7,258,051	4,037,649	3,246,888
General Government				
Court	2,225,304	2,286,098	1,208,035	570,910
Other	5,570,988	4,490,408	4,182,277	4,145,066
Interest and Fiscal Charges	93,294	123,892	93,294	123,892
Total Expenses	<u>\$36,405,783</u>	<u>\$19,669,997</u>	<u>\$26,182,711</u>	<u>\$10,922,526</u>

While the dependence on general revenues (primarily municipal income taxes) to pay for the various services provided by the City is significant, program revenues in several of the programs provide for a considerable portion of the costs. For example, a combination of charges for services (fire services contracts with other governments) and grants provided for much of the costs of operations for the fire department. Charges for services and various grants and contributions provided for 48 percent of transportation costs. The transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes. In addition, the City receives grants to assist in operating the public transit system. Lastly, court related fines and charges provided program revenues covering a substantial portion of the costs of court operations.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, and the Street Construction, Maintenance, and Repair and the Police, Dispatch, and Fire Income Tax special revenue funds.

There was a 43 percent increase in fund balance for the General Fund. While there were modest increases in income tax and intergovernmental revenues, the largest increase was due to Bureau of Workers' Compensation refunds ((approximately \$1.9 million). There was a slight increase in overall expenditures.

The decrease in fund balance in the Street Construction, Maintenance, and Repair Fund was due to deficit spending in 2020, operating costs and scheduled street improvements exceeded annual revenue.

The increase in fund balance in the Police, Dispatch, and Fire Income Tax Fund is largely due to revenues from the Bureau of Workers' Compensation refunds. Other revenue sources and expenditures did not change significantly from the prior year.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds provide for wastewater treatment, trash collection, landfill postclosure activities, the storm water runoff system, and operations of an aquatics center.

There was a decrease in revenues as well as a slight decrease in expenses for the Sewer Fund, yet the fund was able to maintain an operating income and increase in net position. A capital contribution of \$177,000 contributed to the increase in net position.

There was an increase in revenue for the sanitation program and a modest increase in expenses; however, operating costs continued to exceed revenues in 2020 resulting in an operating loss and decrease in net position.

The Landfill Fund had an increase in net position for 2020; however, continues to reflect a deficit net position. The Landfill stopped accepting waste in 1995; all costs at this point are related to postclosure activities.

There was little change in revenues and expenses in the Storm Water Fund; however, revenues continued to far exceed costs for 2020 leading to an operating income and increase in net position. A capital contribution of \$123,000 contributed to the increase in net position.

The deficit net position for the Aquatics Center Fund decreased approximately \$53,000 (7 percent). This fund has had a deficit net position since its inception in 2011 due to construction costs and associated debt. The fund will likely continue to have a deficit net position until the debt is retired.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January.

The City's most significant budgeted fund is the General Fund. For revenues, there was no change from the original budget to the final budget. Changes from the final budget to actual revenues were primarily due to the receipt of Bureau of Workers' Compensation refunds. For expenditures, changes from the original budget to the final budget were generally due an increase in the estimate for general government operations; however, the actual costs of operations for this program were less than the original budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2020, was \$48,546,200 and \$64,486,552, respectively (net of accumulated depreciation). The most significant additions for governmental activities were street improvements, completion of the airport terminal, miscellaneous equipment, and vehicles. Disposals were primarily street replacements. The most significant additions for business-type activities were infrastructure improvements and new vehicles. Disposals were minimal. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2020, the City had a number of long-term obligations outstanding including \$26,785,451 in general obligation bonds, \$2,248,083 in Ohio Public Works Commission loans, and \$23,828,344 in Ohio Water Development Authority loans. Of this debt, \$50,096,576 will be paid from business-type activities. During 2020, the City issued general obligation refunding bonds, in the amount of \$7,100,000, to currently refund general obligation bonds previously issued in 2010, and in the amount of \$11,120,000, to refund general obligation bonds previously issued in 2012. OPWC and OWDA loans were also issued for sewer and storm water replacement.

In addition, the City's long-term obligations also include the net pension liability, net OPEB liability, compensated absences, capital leases, and the liability associated with the future payment of landfill postclosure costs. For further information regarding the City's debt, refer to Notes 17, 18, and 19 to the basic financial statements.

CURRENT ISSUES

The City continues to work with the Ohio EPA on its long-term control plan and identifying sewer and storm water projects to meet the objectives of this plan.

The City is working with the Ohio Water Development Authority on a plan to upgrade and improve the sewer treatment plant on Holland Road.

The construction of the new Airport Terminal was possible by using grants from the Ohio Department of Transportation and Federal Aviation Administration.

Business growth in the downtown improved with the opening of The Brickyard and The Union, both on Main Street.

CITY OF MARION
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

COVID 19 continues to be a significant issue within the City of Marion for restaurants and for small business owners. City Council authorized the use of federal COVID relief funds (up to \$100,000) as grants to small businesses.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Miranda Meginness, City Auditor, City of Marion, 233 West Center Street, Marion, Ohio 43302.

City of Marion
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities *	Total *
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$11,370,167	\$2,540,783	\$13,910,950
Accounts Receivable	707,687	6,069,892	6,777,579
Accrued Interest Receivable	15,570	0	15,570
Due from Other Governments	1,916,182	2,942,466	4,858,648
Municipal Income Taxes Receivable	3,494,664	0	3,494,664
Other Local Taxes Receivable	19,721	0	19,721
Internal Balances	410,348	(410,348)	0
Prepaid Items	102,060	38,362	140,422
Materials and Supplies Inventory	287,687	119,454	407,141
Property Taxes Receivable	1,768,657	0	1,768,657
Payment in Lieu of Taxes Receivable	302,277	0	302,277
Notes Receivable	395,035	0	395,035
Net Pension Asset	60,252	31,039	91,291
Nondepreciable Capital Assets	8,327,406	23,409,270	31,736,676
Depreciable Capital Assets, Net	40,218,794	41,077,282	81,296,076
Total Assets	69,396,507	75,818,200	145,214,707
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	46,520	677,009	723,529
Pension	5,057,747	658,293	5,610,428
OPEB	2,941,722	460,242	3,351,906
Total Deferred Outflows of Resources	8,045,989	1,795,544	9,685,863
<u>Liabilities</u>			
Accrued Wages Payable	473,757	97,597	571,354
Accounts Payable	410,616	120,140	530,756
Contracts Payable	13,298	2,969,744	2,983,042
Due to Other Governments	462,543	132,398	594,941
Matured Compensated Absences Payable	23,291	0	23,291
Retainage Payable	0	716,297	716,297
Accrued Interest Payable	5,673	46,560	52,233
Unearned Revenue	91,965	0	91,965
Long-Term Liabilities			
Due Within One Year	1,245,151	3,495,766	4,740,917
Due in More Than One Year			
Net Pension Liability	29,423,335	3,728,909	33,152,244
Net OPEB Liability	8,203,929	2,550,505	10,754,434
Other Amounts Due in More Than One Year	6,750,336	48,080,915	54,831,251
Total Liabilities	47,103,894	61,938,831	109,042,725
<u>Deferred Inflows of Resources</u>			
Property Taxes	1,343,393	0	1,343,393
Payment in Lieu of Taxes	302,277	0	302,277
Pension	3,910,903	851,055	4,656,346
OPEB	1,951,130	393,118	2,294,190
Total Deferred Inflows of Resources	7,507,703	1,244,173	8,596,206

(continued)

City of Marion
Statement of Net Position
December 31, 2020
(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities *</u>	<u>Total *</u>
<u>Net Position</u>			
Net Investment in Capital Assets	\$45,552,912	\$13,836,042	\$59,388,954
Restricted for			
Capital Projects	2,565,028	0	2,565,028
Street Construction, Maintenance, and Repair	1,612,896	0	1,612,896
Court Operations	1,207,564	0	1,207,564
Economic Development	496,396	0	496,396
Senior Citizens	397,127	0	397,127
Other Purposes	491,496	0	491,496
Unrestricted (Deficit)	<u>(29,492,520)</u>	<u>594,698</u>	<u>(28,897,822)</u>
Total Net Position	<u>\$22,830,899</u>	<u>\$14,430,740</u>	<u>\$37,261,639</u>

* After deferred outflows and inflows related to the change in internal proportionate share of pension/OPEB related items have been eliminated.

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$9,060,674	\$48,944	\$836,683	\$27,510
Fire	9,012,817	1,005,197	1,108,638	488,433
Other	279,861	0	0	0
Public Health	339,155	(4,362)	0	0
Leisure Time Activities	1,331,189	6,500	216,871	0
Community Environment	210,329	0	1,900	38,276
Basic Utility Services	108,274	0	108,274	0
Transportation				
Transit	987,051	60,299	724,731	0
Other	7,186,847	302,125	2,137,265	709,808
General Government				
Court	2,225,304	838,849	178,420	0
Other	5,570,988	469,577	919,134	0
Interest and Fiscal Charges	93,294	0	0	0
Total Governmental Activities	36,405,783	2,727,129	6,231,916	1,264,027
<u>Business-Type Activities</u>				
Sewer	7,424,384	7,346,333	0	177,000
Sanitation	2,835,550	2,515,823	0	0
Landfill	(12,406)	300,000	0	0
Storm Water	1,236,739	1,980,920	0	123,000
Aquatics Center	220,088	30	0	0
Total Business-Type Activities	11,704,355	12,143,106	0	300,000
Total	\$48,110,138	\$14,870,235	\$6,231,916	\$1,564,027

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Police and Fire Pension
Payment in Lieu of Taxes
Municipal Income Taxes Levied for General Purposes
Municipal Income Taxes Levied for Street Construction,
Maintenance, and Repair
Municipal Income Taxes Levied for Police and Fire
Municipal Income Taxes Levied for Capital Improvements
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$8,147,537)	\$0	(\$8,147,537)
(6,410,549)	0	(6,410,549)
(279,861)	0	(279,861)
(343,517)	0	(343,517)
(1,107,818)	0	(1,107,818)
(170,153)	0	(170,153)
0	0	0
(202,021)	0	(202,021)
(4,037,649)	0	(4,037,649)
(1,208,035)	0	(1,208,035)
(4,182,277)	0	(4,182,277)
(93,294)	0	(93,294)
(26,182,711)	0	(26,182,711)
0	98,949	98,949
0	(319,727)	(319,727)
0	312,406	312,406
0	867,181	867,181
0	(220,058)	(220,058)
0	738,751	738,751
(26,182,711)	738,751	(25,443,960)
1,218,729	0	1,218,729
217,849	0	217,849
345,041	0	345,041
8,622,186	0	8,622,186
646,464	0	646,464
7,524,588	0	7,524,588
429,403	0	429,403
1,102,004	0	1,102,004
345,045	0	345,045
188,405	0	188,405
3,075,744	591,734	3,667,478
23,715,458	591,734	24,307,192
6,410	(6,410)	0
(2,460,843)	1,324,075	(1,136,768)
25,291,742	13,106,665	38,398,407
<u>\$22,830,899</u>	<u>\$14,430,740</u>	<u>\$37,261,639</u>

City of Marion
Balance Sheet
Governmental Funds
December 31, 2020

	General	Street Construction, Maintenance, and Repair	Police, Dispatch, and Fire Income Tax	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,479,453	\$87,385	\$2,112,031	\$5,445,460	\$11,124,329
Accounts Receivable	707,438	0	0	249	707,687
Accrued Interest Receivable	15,570	0	0	0	15,570
Due from Other Governments	559,431	960,798	21,681	374,272	1,916,182
Municipal Income Taxes Receivable	1,747,330	139,787	1,537,654	69,893	3,494,664
Other Local Taxes Receivable	0	0	0	19,721	19,721
Interfund Receivable	1,214,483	0	0	0	1,214,483
Prepaid Items	30,232	9,273	53,300	7,349	100,154
Materials and Supplies Inventory	47,042	81,215	2,285	570	131,112
Property Taxes Receivable	1,496,209	0	0	272,448	1,768,657
Payment in Lieu of Taxes Receivable	0	0	0	302,277	302,277
Notes Receivable	0	0	0	395,035	395,035
Total Assets	\$9,297,188	\$1,278,458	\$3,726,951	\$6,887,274	\$21,189,871
<u>Liabilities</u>					
Accrued Wages Payable	\$64,926	\$37,178	\$330,965	\$32,932	\$466,001
Accounts Payable	115,672	16,341	134,469	93,614	360,096
Contracts Payable	2,489	0	0	10,809	13,298
Due to Other Governments	95,002	22,304	319,121	21,186	457,613
Matured Compensated Absences Payable	0	0	23,291	0	23,291
Interfund Payable	3,191	25,891	20,016	549,133	598,231
Unearned Revenue	0	0	0	91,965	91,965
Total Liabilities	281,280	101,714	827,862	799,639	2,010,495
<u>Deferred Inflows of Resources</u>					
Property Taxes	1,136,946	0	0	206,447	1,343,393
Payment in Lieu of Taxes	0	0	0	302,277	302,277
Unavailable Revenue	2,405,778	913,293	851,783	338,749	4,509,603
Total Deferred Inflows of Resources	3,542,724	913,293	851,783	847,473	6,155,273
<u>Fund Balance</u>					
Nonspendable	77,274	90,488	55,585	7,919	231,266
Restricted	0	172,963	1,991,721	5,591,559	7,756,243
Committed	1,762	0	0	0	1,762
Assigned	453,340	0	0	113,552	566,892
Unassigned (Deficit)	4,940,808	0	0	(472,868)	4,467,940
Total Fund Balance	5,473,184	263,451	2,047,306	5,240,162	13,024,103
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$9,297,188	\$1,278,458	\$3,726,951	\$6,887,274	\$21,189,871

See Accompanying Notes to the Basic Financial Statements

City of Marion
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2020

Total Governmental Fund Balance \$13,024,103

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental Activities	48,546,200	
Internal Service Fund	<u>(1,265,199)</u>	47,281,001

Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.

Governmental Activities	46,520	
Internal Service Fund	<u>(15,310)</u>	31,210

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	609,048	
Accrued Interest Receivable	6,232	
Due from Other Governments	1,581,162	
Municipal Income Taxes Receivable	1,887,897	
Delinquent Property Taxes Receivable	<u>425,264</u>	4,509,603

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.

(21,234)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(5,673)	
Accrued Interest Payable - Internal Service Fund	1,483	
General Obligation Bonds Payable	(2,752,480)	
General Obligation Bonds Payable - Internal Service Fund	765,988	
OPWC Loan Payable	(12,822)	
Compensated Absences Payable	(4,870,064)	
Compensated Absences Payable - Internal Service Fund	34,834	
Capital Leases Payable	<u>(360,121)</u>	(7,198,855)

(continued)

City of Marion
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2020
 (continued)

The net pension asset, net pension liability, and net OPEB liability are not due and payable in the current period, therefore, the asset, liability, and related deferred outflows/inflows are not reported in the governmental funds.

Net Pension Asset	\$60,252	
Net Pension Asset - Internal Service Fund	(2,739)	
Deferred Outflows - Pension	5,057,747	
Deferred Outflows - Pension - Internal Service Fund	(54,037)	
Deferred Inflows - Pension	(3,910,903)	
Deferred Inflows - Pension - Internal Service Fund	72,254	
Net Pension Liability	(29,423,335)	
Net Pension Liability - Internal Service Fund	329,021	
Deferred Outflows - OPEB	2,941,722	
Deferred Outflows - OPEB - Internal Service Fund	(37,748)	
Deferred Inflows - OPEB	(1,951,130)	
Deferred Inflows - OPEB - Internal Service Fund	32,073	
Net OPEB Liability	(8,203,929)	
Net OPEB Liability - Internal Service Fund	<u>225,044</u>	
		(34,865,708)

An internal service fund is used by management to charge the cost of motor pool/vehicle maintenance to individual funds. The asset and liabilities of the internal service fund are included in governmental activities on the statement of net position.

70,779

Net Position of Governmental Activities

\$22,830,899

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2020

	General	Street Construction, Maintenance, and Repair	Police, Dispatch, and Fire Income Tax	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,218,711	\$0	\$0	\$217,644	\$1,436,355
Payment in Lieu of Taxes	0	0	0	345,041	345,041
Municipal Income Taxes	8,632,134	647,259	7,533,340	429,801	17,242,534
Other Local Taxes	0	0	0	273,975	273,975
Charges for Services	1,345,209	2,950	0	60,299	1,408,458
Fees, Licenses, and Permits	397,955	25,200	0	0	423,155
Fines and Forfeitures	640,767	0	0	347,747	988,514
Intergovernmental	1,055,989	1,733,131	273,314	5,432,214	8,494,648
Interest	218,104	244	0	2,435	220,783
Other	2,055,272	108,086	917,997	175,507	3,256,862
Total Revenues	15,564,141	2,516,870	8,724,651	7,284,663	34,090,325
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	0	7,488,164	652,673	8,140,837
Fire	0	0	6,572,529	1,677,096	8,249,625
Other	279,861	0	0	0	279,861
Public Health	338,919	0	0	0	338,919
Leisure Time Activities	958,205	0	0	195,263	1,153,468
Community Environment	157,466	0	0	52,863	210,329
Basic Utility Services	0	0	0	108,274	108,274
Transportation					
Transit	0	0	0	809,943	809,943
Other	244,787	3,495,886	0	1,605,094	5,345,767
General Government					
Court	1,131,590	0	0	858,281	1,989,871
Other	3,536,066	0	0	1,391,499	4,927,565
Debt Service:					
Principal Retirement	0	0	68,082	341,960	410,042
Interest and Fiscal Charges	0	0	21,158	78,267	99,425
Total Expenditures	6,646,894	3,495,886	14,149,933	7,771,213	32,063,926
Excess of Revenues Over (Under) Expenditures	8,917,247	(979,016)	(5,425,282)	(486,550)	2,026,399
<u>Other Financing Sources (Uses)</u>					
General Obligation Bonds Issued	0	0	0	1,400,000	1,400,000
Premium on Bonds Issued	0	0	0	153,575	153,575
Payment to Refunded Bond Escrow Agent	0	0	0	(1,532,358)	(1,532,358)
Transfers In	0	847,936	6,090,820	750,283	7,689,039
Transfers Out	(7,263,286)	0	0	(419,343)	(7,682,629)
Total Other Financing Sources (Uses)	(7,263,286)	847,936	6,090,820	352,157	27,627
Changes in Fund Balance	1,653,961	(131,080)	665,538	(134,393)	2,054,026
Fund Balance Beginning of Year	3,819,223	394,531	1,381,768	5,374,555	10,970,077
Fund Balance End of Year	\$5,473,184	\$263,451	\$2,047,306	\$5,240,162	\$13,024,103

See Accompanying Notes to the Basic Financial Statements

City of Marion
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2020

Changes in Fund Balance - Total Governmental Funds \$2,054,026

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.

Capital Outlay - Nondepreciable Capital Assets	984,863	
Capital Outlay - Depreciable Capital Assets	1,954,106	
Capital Contributions	25,823	
Depreciation	(4,897,731)	
Depreciation - Internal Service Fund	<u>44,252</u>	(1,888,687)

The cost of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (63,656)

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

Delinquent Property Taxes	223	
Municipal Income Taxes	(19,893)	
Charges for Services	(24,588)	
Fees, Licenses, and Permits	2,660	
Intergovernmental	36,896	
Interest	(29,967)	
Other	<u>(142,949)</u>	(177,618)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

General Obligation Bonds Payable	398,300	
General Obligation Bonds Payable - Internal Service Fund	(62,750)	
OPWC Loan Payable	6,410	
Capital Leases Payable	68,082	
Payment to Refunded Bond Escrow Agent	2,291,479	
Payment to Refunded Bond Escrow Agent - Internal Service Fund	<u>(759,121)</u>	1,942,400

Debt proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position.

General Obligation Bonds Payable	(2,093,000)	
General Obligation Bonds Payable - Internal Service Fund	<u>693,000</u>	(1,400,000)

(continued)

City of Marion
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2020
(continued)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, this amount is deferred and amortized on the statement of activities. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	\$4,165	
Accrued Interest Payable - Internal Service Fund	(1,146)	
Unamortized Premium	(229,615)	
Unamortized Premium - Internal Service Fund	76,040	
Amortization of Premium	3,912	
Amortization of Premium - Internal Service Fund	(302)	
Amortization of Deferred Charge on Refunding	(559)	
Amortization of Deferred Charge on Refunding - Internal Service Fund	61	
		(147,444)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences Payable	(38,638)	
Compensated Absences Payable - Internal Service Fund	(23,701)	
		(62,339)

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.

Pension Expense	(4,368,793)	
Pension Expense - Internal Service Fund	54,071	
OPEB Expense	(931,276)	
OPEB Expense - Internal Service Fund	26,419	
		(5,219,579)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.

Contractually Required Contributions - Pension	2,532,838	
Contractually Required Contributions - Pension - Internal Service Fund	(34,806)	
Contractually Required Contributions - OPEB	47,887	
Contractually Required Contributions - OPEB - Internal Service Fund	(279)	
		2,545,640

The internal service fund used by management to charge the cost of motor pool/vehicle maintenance to individual funds is not reported on the statement of activities.

Governmental expenditures and related internal service fund revenues are eliminated.

The change for governmental funds is reported for the year. (43,586)

Change in Net Position of Governmental Activities (\$2,460,843)

See Accompanying Notes to the Basic Financial Statements

This Page Intentionally Left Blank

City of Marion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$1,106,606	\$1,106,606	\$1,218,711	\$112,105
Municipal Income Taxes	7,555,000	7,555,000	7,555,480	480
Charges for Services	1,330,500	1,330,500	1,332,597	2,097
Fees, Licenses, and Permits	345,609	345,609	397,863	52,254
Fines and Forfeitures	856,390	856,390	653,566	(202,824)
Intergovernmental	1,024,909	1,024,909	1,051,873	26,964
Interest	290,000	290,000	227,290	(62,710)
Other	213,100	213,100	2,051,374	1,838,274
Total Revenues	12,722,114	12,722,114	14,488,754	1,766,640
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Other	290,000	290,000	267,376	22,624
Public Health	338,919	338,919	338,919	0
Leisure Time Activities	1,020,671	1,416,721	951,152	465,569
Community Environment	269,000	239,000	157,466	81,534
Transportation				
Other	409,568	437,568	240,502	197,066
General Government				
Court	1,213,817	1,215,179	1,133,297	81,882
Other	3,694,920	4,234,709	3,216,616	1,018,093
Total Expenditures	7,236,895	8,172,096	6,305,328	1,866,768
Excess of Revenues Over Expenditures	5,485,219	4,550,018	8,183,426	3,633,408
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	0	0	5,798	5,798
General Obligation Bonds Issued	48,000	48,000	0	(48,000)
Advances Out	0	0	(750,000)	(750,000)
Transfers Out	(6,482,402)	(6,352,402)	(6,328,541)	23,861
Total Other Financing Sources (Uses)	(6,434,402)	(6,304,402)	(7,072,743)	(768,341)
Changes in Fund Balance	(949,183)	(1,754,384)	1,110,683	2,865,067
Fund Balance Beginning of Year	2,895,299	2,895,299	2,895,299	0
Fund Balance End of Year	\$1,946,116	\$1,140,915	\$4,005,982	\$2,865,067

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Street Construction, Maintenance, and Repair Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Over Under)
<u>Revenues</u>				
Municipal Income Taxes	\$1,460,200	\$1,460,200	\$1,483,842	\$23,642
Charges for Services	2,800	2,800	2,950	150
Fees, Licenses, and Permits	22,000	22,000	25,200	3,200
Intergovernmental	1,406,800	1,406,800	1,752,544	345,744
Interest	200	200	244	44
Other	41,949	41,949	108,086	66,137
Total Revenues	2,933,949	2,933,949	3,372,866	438,917
<u>Expenditures</u>				
Current:				
Transportation				
Other	3,453,568	3,468,568	3,755,950	(287,382)
Changes in Fund Balance	(519,619)	(534,619)	(383,084)	151,535
Fund Balance Beginning of Year	458,763	458,763	458,763	0
Fund Balance (Deficit) End of Year	(\$60,856)	(\$75,856)	\$75,679	\$151,535

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Police, Dispatch, and Fire Income Tax Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Municipal Income Taxes	\$7,444,221	\$7,444,221	\$7,408,458	(\$35,763)
Intergovernmental	0	0	281,516	281,516
Other	446,500	446,500	898,552	452,052
Total Revenues	7,890,721	7,890,721	8,588,526	697,805
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	7,662,283	8,166,772	7,469,138	697,634
Fire	6,302,978	7,358,153	6,492,242	865,911
Total Expenditures	13,965,261	15,524,925	13,961,380	1,563,545
Excess of Revenues Under Expenditures	(6,074,540)	(7,634,204)	(5,372,854)	2,261,350
<u>Other Financing Sources</u>				
Other Financing Sources	0	0	18,871	18,871
Transfers In	6,090,820	6,090,820	6,090,820	0
Total Other Financing Sources	6,090,820	6,090,820	6,109,691	18,871
Changes in Fund Balance	16,280	(1,543,384)	736,837	2,280,221
Fund Balance Beginning of Year	1,229,810	1,229,810	1,229,810	0
Fund Balance (Deficit) End of Year	<u>\$1,246,090</u>	<u>(\$313,574)</u>	<u>\$1,966,647</u>	<u>\$2,280,221</u>

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

	Business-Type Activities			
	Sewer	Sanitation	Landfill	Storm Water
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,139,254	\$871,587	\$0	\$0
Accounts Receivable	2,131,644	3,194,946	0	743,302
Due from Other Governments	2,942,466	0	0	0
Interfund Receivable	3,676	0	0	180
Prepaid Items	22,823	7,957	397	6,115
Materials and Supplies Inventory	115,027	1,311	0	1,311
Total Current Assets	6,354,890	4,075,801	397	750,908
<u>Non-Current Assets</u>				
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	0	0	39,694	0
Net Pension Asset	19,171	9,129	0	1,826
Nondepreciable Capital Assets	23,182,459	0	162,571	64,240
Depreciable Capital Assets, Net	17,461,591	1,205,715	190,000	19,353,667
Total Non-Current Assets	40,663,221	1,214,844	392,265	19,419,733
Total Assets	47,018,111	5,290,645	392,662	20,170,641
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding	242,659	0	8,752	228,768
Pension	434,770	180,127	0	36,187
OPEB	305,263	125,823	0	25,164
Total Deferred Outflows of Resources	982,692	305,950	8,752	290,119
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accrued Wages Payable	57,947	36,473	0	2,749
Accounts Payable	96,224	14,281	8,439	370
Contracts Payable	2,949,293	0	15,900	4,551
Due to Other Governments	43,665	85,727	0	2,755
Compensated Absences Payable	70,198	66,307	0	1,879
Interfund Payable	5,800	15,673	2,882	411,083
Retainage Payable	712,197	0	0	4,100
Accrued Interest Payable	16,364	0	251	24,336
General Obligation Bonds Payable	563,127	0	12,000	688,373
OWDA Loans Payable	1,494,288	0	0	0
OPWC Loans Payable	95,714	0	0	50,715
Postclosure Costs Payable	0	0	163,900	0
Total Current Liabilities	6,104,817	218,461	203,372	1,190,911

		Governmental Activity
Aquatics Center	Total Enterprise	Internal Service
\$490,248	\$2,501,089	\$245,838
0	6,069,892	0
0	2,942,466	0
0	3,856	77,503
1,070	38,362	1,906
1,805	119,454	156,575
<u>493,123</u>	<u>11,675,119</u>	<u>481,822</u>
0	39,694	0
913	31,039	2,739
0	23,409,270	61,943
<u>2,866,309</u>	<u>41,077,282</u>	<u>1,203,256</u>
<u>2,867,222</u>	<u>64,557,285</u>	<u>1,267,938</u>
<u>3,360,345</u>	<u>76,232,404</u>	<u>1,749,760</u>
196,830	677,009	15,310
18,092	669,176	54,037
12,581	468,831	37,748
<u>227,503</u>	<u>1,815,016</u>	<u>107,095</u>
428	97,597	7,756
826	120,140	50,520
0	2,969,744	0
251	132,398	4,930
265	138,649	6,103
0	435,438	262,173
0	716,297	0
5,609	46,560	1,483
289,000	1,552,500	64,500
0	1,494,288	0
0	146,429	0
0	163,900	0
<u>296,379</u>	<u>8,013,940</u>	<u>397,465</u>

(continued)

City of Marion
Statement of Fund Net Position
Proprietary Funds
December 31, 2020
(continued)

	<u>Business-Type Activities</u>			
	<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Storm Water</u>
<u>Non-Current Liabilities</u>				
Compensated Absences Payable	\$384,928	\$77,706	\$0	\$15,231
General Obligation Bonds Payable	7,957,923	0	168,000	10,584,548
OWDA Loans Payable	22,334,056	0	0	0
OPWC Loans Payable	1,099,068	0	0	989,764
Postclosure Costs Payable	0	0	696,918	0
Net Pension Liability	2,303,149	1,096,738	0	219,347
Net OPEB Liability	1,575,312	750,149	0	150,029
Total Non-Current Liabilities	<u>35,654,436</u>	<u>1,924,593</u>	<u>864,918</u>	<u>11,958,919</u>
Total Liabilities	<u>41,759,253</u>	<u>2,143,054</u>	<u>1,068,290</u>	<u>13,149,830</u>
<u>Deferred Inflows of Resources</u>				
Pension	548,890	240,848	0	48,134
OPEB	257,926	106,910	0	24,581
Total Deferred Inflows of Resources	<u>806,816</u>	<u>347,758</u>	<u>0</u>	<u>72,715</u>
<u>Net Position</u>				
Net Investment in Capital Assets (Deficit)	4,518,226	1,205,715	361,323	8,293,908
Unrestricted (Deficit)	916,508	1,900,068	(1,028,199)	(1,055,693)
Total Net Position (Deficit)	<u>\$5,434,734</u>	<u>\$3,105,783</u>	<u>(\$666,876)</u>	<u>\$7,238,215</u>

Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the net position of the internal service fund.

Net Position of Business-Type Activities

See Accompanying Notes to the Basic Financial Statements

Aquatics Center	Total Enterprise	Governmental Activity Internal Service
\$2,773	\$480,638	\$28,731
3,770,000	22,480,471	701,488
0	22,334,056	0
0	2,088,832	0
0	696,918	0
109,675	3,728,909	329,021
75,015	2,550,505	225,044
3,957,463	54,360,329	1,284,284
4,253,842	62,374,269	1,681,749
24,066	861,938	72,254
12,290	401,707	32,073
36,356	1,263,645	104,327
(543,130)	13,836,042	514,521
(159,220)	573,464	(443,742)
(\$702,350)	14,409,506	\$70,779
	21,234	
	\$14,430,740	

City of Marion
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-Type Activities			
	Sewer	Sanitation	Landfill	Storm Water
<u>Operating Revenues</u>				
Charges for Services	\$7,346,333	\$2,515,823	\$300,000	\$1,980,920
Other	158,477	92,924	0	67,377
Total Operating Revenues	<u>7,504,810</u>	<u>2,608,747</u>	<u>300,000</u>	<u>2,048,297</u>
<u>Operating Expenses</u>				
Personal Services	2,976,275	1,588,902	0	152,121
Contractual Services	1,440,101	1,011,204	(19,473)	76,726
Materials and Supplies	455,974	122,533	1,363	46,862
Other	2,148	0	0	0
Depreciation	2,198,641	101,143	0	570,482
Total Operating Expenses	<u>7,073,139</u>	<u>2,823,782</u>	<u>(18,110)</u>	<u>846,191</u>
Operating Income (Loss)	431,671	(215,035)	318,110	1,202,106
<u>Non-Operating Expenses</u>				
Interest Expense	(348,817)	0	(5,704)	(386,065)
Income (Loss) before Contributions and Transfers	82,854	(215,035)	312,406	816,041
Capital Contributions	177,000	0	0	123,000
Transfers Out	(3,205)	0	0	(3,205)
Changes in Net Position	256,649	(215,035)	312,406	935,836
Net Position (Deficit) Beginning of Year	<u>5,178,085</u>	<u>3,320,818</u>	<u>(979,282)</u>	<u>6,302,379</u>
Net Position (Deficit) End of Year	<u>\$5,434,734</u>	<u>\$3,105,783</u>	<u>(\$666,876)</u>	<u>\$7,238,215</u>

The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.

Change in Net Position of Business-Type Activities

See Accompanying Notes to the Basic Financial Statements

Aquatics Center	Total Enterprise	Governmental Activity Internal Service
\$30	\$12,143,106	\$891,669
272,956	591,734	24,214
272,986	12,734,840	915,883
(11,385)	4,705,913	371,549
32,856	2,541,414	54,109
599	627,331	481,832
0	2,148	0
68,245	2,938,511	44,252
90,315	10,815,317	951,742
182,671	1,919,523	(35,859)
(129,773)	(870,359)	(26,406)
52,898	1,049,164	(62,265)
0	300,000	0
0	(6,410)	0
52,898	1,342,754	(62,265)
(755,248)		133,044
(\$702,350)		\$70,779
	(18,679)	
	\$1,324,075	

City of Marion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-Type Activities			
	Sewer	Sanitation	Landfill	Storm Water
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$7,409,435	\$2,456,093	\$300,000	\$1,992,236
Cash Received from Transactions with Other Funds	0	0	0	0
Cash Payments for Personal Services	(2,452,433)	(1,374,768)	0	(214,049)
Cash Payments for Contractual Services	(1,484,112)	(854,303)	(132,688)	(78,757)
Cash Payments to Vendors	(416,827)	(49,900)	(1,363)	(45,545)
Cash Payments for Transactions with Other Funds	(69,676)	(224,233)	(927)	0
Cash Received from Other Revenues	160,376	102,101	0	85,159
Cash Payments for Other Expenses	(1,535)	0	0	0
Net Cash Provided by Operating Activities	<u>3,145,228</u>	<u>54,990</u>	<u>165,022</u>	<u>1,739,044</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Advances In	0	0	0	245,143
Transfers Out	(3,205)	0	0	(3,205)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(3,205)</u>	<u>0</u>	<u>0</u>	<u>241,938</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital Grants	226,305	0	0	157,263
Principal Paid on General Obligation Bonds	(529,547)	0	(2,000)	(855,153)
Principal Paid on OWDA Loans	(1,472,123)	0	0	0
Principal Paid on OPWC Loans	(93,492)	0	0	(49,062)
Interest Paid on General Obligation Bonds	(301,271)	0	(5,879)	(407,491)
Interest Paid on OWDA Loans	(61,748)	0	0	0
General Obligation Bonds Issued	5,980,620	0	172,000	6,095,380
Premium on Bonds Issued	236,092	0	0	311,157
Payment on Refunded Bond Escrow Agent	(6,131,286)	0	(168,855)	(6,320,142)
OWDA Loans Issued	12,247,129	0	0	0
OPWC Loans Issued	205,600	0	0	142,875
Acquisition of Capital Assets	(14,765,501)	(244,983)	(190,000)	(1,055,809)
Net Cash Used for Capital and Related Financing Activities	<u>(4,459,222)</u>	<u>(244,983)</u>	<u>(194,734)</u>	<u>(1,980,982)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,317,199)	(189,993)	(29,712)	0
Cash and Cash Equivalents Beginning of Year	<u>2,456,453</u>	<u>1,061,580</u>	<u>69,406</u>	<u>0</u>
Cash and Cash Equivalents End of Year	<u>\$1,139,254</u>	<u>\$871,587</u>	<u>\$39,694</u>	<u>\$0</u>

		Governmental Activity
Aquatics Center	Total Enterprise	Internal Service
\$30	\$12,157,794	\$0
0	0	948,887
(17,043)	(4,058,293)	(348,259)
(32,757)	(2,582,617)	(56,421)
(582)	(514,217)	(496,368)
0	(294,836)	0
274,458	622,094	26,945
0	(1,535)	0
<u>224,106</u>	<u>5,328,390</u>	<u>74,784</u>
0	245,143	250,000
0	(6,410)	0
<u>0</u>	<u>238,733</u>	<u>250,000</u>
0	383,568	0
(60,000)	(1,446,700)	(62,750)
0	(1,472,123)	0
0	(142,554)	0
(133,044)	(847,685)	(27,793)
0	(61,748)	0
3,879,000	16,127,000	693,000
0	547,249	76,040
(3,824,922)	(16,445,205)	(759,121)
0	12,247,129	0
0	348,475	0
0	(16,256,293)	0
<u>(138,966)</u>	<u>(7,018,887)</u>	<u>(80,624)</u>
85,140	(1,451,764)	244,160
<u>405,108</u>	<u>3,992,547</u>	<u>1,678</u>
<u>\$490,248</u>	<u>\$2,540,783</u>	<u>\$245,838</u>

(continued)

City of Marion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020
(continued)

	Business-Type Activities			
	Sewer	Sanitation	Landfill	Storm Water
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>				
Operating Income (Loss)	\$431,671	(\$215,035)	\$318,110	\$1,202,106
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>				
Depreciation	2,198,641	101,143	0	570,482
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	65,467	(59,730)	0	11,316
Decrease in Due from Other Governments	1,899	9,177	0	17,782
(Increase) Decrease in Interfund Receivable	(2,365)	0	0	0
(Increase) Decrease in Prepaid Items	(3,441)	(1,848)	(19)	(496)
(Increase) Decrease in Materials and Supplies Inventory	(59,346)	1,283	0	1,283
Decrease in Net Pension Asset	52,177	24,847	0	4,969
Increase in Accrued Wages Payable	16,596	12,043	0	657
Increase (Decrease) in Accounts Payable	(20,433)	8,554	(15,978)	51
Increase in Contracts Payable	0	0	15,900	0
Increase (Decrease) in Due to Other Governments	9,011	16,134	(15)	271
Increase (Decrease) in Compensated Absences Payable	44,399	42,030	0	2,477
Increase (Decrease) Interfund Payable	5,620	(10,107)	1,920	(1,614)
Decrease in Postclosure Costs Payable	0	0	(154,896)	0
Decrease in Net Pension Liability	(2,789)	(1,328)	0	(266)
Increase in Net OPEB Liability	95,859	45,648	0	9,129
Decrease in Deferred Outflows - Pension	624,953	235,604	0	47,148
Decrease in Deferred Outflows - OPEB	318,668	110,971	0	22,194
Decrease in Deferred Inflows - Pension	(455,271)	(194,913)	0	(99,611)
Decrease in Deferred Inflows - OPEB	(176,088)	(69,483)	0	(48,834)
Net Cash Provided by Operating Activities	<u>\$3,145,228</u>	<u>\$54,990</u>	<u>\$165,022</u>	<u>\$1,739,044</u>

Non-Cash Capital Financing Activities

At December 31, 2020, the Sewer enterprise fund had payables related to the acquisition of capital assets, in the amount of \$3,661,490. At December 31, 2019, the Sewer enterprise fund had payables related to the acquisition of capital assets, in the amount of \$2,640,867. In addition, receivables were recorded, in the amount of \$2,942,466, for requested and approved reimbursements on OWDA projects. In the prior year, receivables were recorded, in the amount of \$2,173,060, \$49,305, and \$22,181, for requested and approved reimbursements on OWDA and OPWC projects.

At December 31, 2020, the Storm Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$8,651. At December 31, 2019, the Storm Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$118,767. In addition, in the prior year, receivables were recorded, in the amount of \$34,263 and \$15,414, for requested and approved reimbursements on OPWC projects.

See Accompanying Notes to the Basic Financial Statements

Aquatics Center	Total Enterprise	Governmental Activity Internal Service
\$182,671	\$1,919,523	(\$35,859)
68,245	2,938,511	44,252
0	17,053	0
1,502	30,360	2,731
0	(2,365)	57,218
150	(5,654)	(502)
17	(56,763)	(10,927)
2,485	84,478	7,455
102	29,398	1,365
148	(27,658)	(5,849)
0	15,900	0
(213)	25,188	624
2,139	91,045	(23,701)
0	(4,181)	27
0	(154,896)	0
(134)	(4,517)	(399)
4,565	155,201	13,695
23,573	931,278	70,682
11,098	462,931	33,291
(47,824)	(797,619)	(58,473)
(24,418)	(318,823)	(20,846)
\$224,106	\$5,328,390	\$74,784

City of Marion
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2020

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$48,281
Cash and Cash Equivalents in Segregated Accounts	32,301
Special Assessments Receivable	<u>16,791</u>
 Total Assets	 <u>97,373</u>
 <u>Liabilities</u>	
Accounts Payable	61,478
Due to Other Governments	<u>3,594</u>
 Total Liabilities	 <u>65,072</u>
 <u>Net Position</u>	
Restricted for Individuals, Organizations, and Other Governments	<u><u>\$32,301</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Marion
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2020

<u>Additions</u>	
Amounts Received as Fiscal Agent	\$5,978
Licenses, Permits, and Fees for Others	6,189
Fines and Forfeitures for Other Governments	1,416,145
Special Assessments Collections for Others	<u>33,583</u>
 Total Additions	 <u>1,461,895</u>
<u>Deductions</u>	
Distributions as Fiscal Agent	6,558
Licenses, Permits, and Fees Distributions to Others	6,189
Fines and Forfeitures Distributions to Other Governments	1,429,986
Special Assessments Distributions to Others	<u>33,583</u>
 Total Deductions	 <u>1,476,316</u>
 Net Decrease in Fiduciary Net Position	 (14,421)
 Net Position Beginning of Year	 <u>46,722</u>
 Net Position End of Year	 <u><u>\$32,301</u></u>

See Accompanying Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE CITY OF MARION AND THE REPORTING ENTITY

A. The City

The City of Marion is a statutory municipal corporation established and operated under the laws of the State of Ohio. Marion was incorporated as a city in 1890.

The City operates under a mayor-council form of government. Legislative power is vested in a nine-member council and a council president, each elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Safety Director, Service Director, and Public Works Director are elected positions. The Safety Director, Service Director, and Public Works Director are appointed by the Mayor.

The City is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, street maintenance and repair, parks and recreation, public transit system, sewer, recycling, and sanitation, as well as staff support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Marion consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Marion in 2020.

The City participates in two insurance pools, the Ohio Municipal Joint Self-Insurance Pool and the Ohio Rural Water Association Workers' Compensation Group Rating Plan, and three jointly-governed organizations, the Marion County General Health District, the Marion Port Authority, and the Marion Energy Special Improvement District (ESID). These organizations are presented in Notes 22 and 23 to the basic financial statements.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Marion have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are reported in three categories; governmental, proprietary, and fiduciary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction, Maintenance, and Repair Fund - This fund accounts for 92.5 percent of the state gasoline tax and motor vehicle registration fees as well as .075 percent voted municipal income tax restricted for maintenance and repair of streets within the City.

Police, Dispatch, and Fire Income Tax Fund - This fund accounts for a voted .875 income tax levy restricted to subsidizing operations of the police, dispatch, and fire departments.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City reports two types of proprietary funds, enterprise and internal service:

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer Fund - The Sewer Fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

Sanitation Fund - The Sanitation Fund accounts for garbage collection and recycling services provided to residential and commercial users within the City.

Landfill Fund - The Landfill Fund accounts for the ongoing postclosure activities at the landfill which closed in 1995.

Storm Water Fund - The Storm Water Fund accounts for the operation of the storm water runoff system within the City.

Aquatics Center - The Aquatics Center Fund accounts for the operation of the City Aquatics Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Service Fund - The internal service fund accounts for the City's central garage which provides for vehicle maintenance for departments of the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications; pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are custodial funds. Custodial funds are used to account for assessments levied by and remitted to the Marion Energy Special Improvement District, traffic fines remitted to the State of Ohio, ticket sales remitted to the Greyhound Bus company, and fines and fees collected by the Marion Municipal Court (excluding those due to the City of Marion).

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary and fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary activities.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), grants, and interest.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met because these amounts have not yet been earned.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the City, deferred outflows of resources are reported on the government-wide and proprietary funds statement of net position for a deferred charge on refunding and for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Note 14 and Note 15 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 21. Deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary funds statement of net position and explained in Notes 14 and 15 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

All funds, except custodial funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the City are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2020, the City invested in mutual funds, nonnegotiable and negotiable certificates of deposit, federal agency securities, municipal bonds, and commercial paper. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. Commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2020 was \$218,104, which includes \$173,658 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Monies required to be set aside for postclosure costs at the landfill are reported as restricted.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds. Capital assets used by the internal service fund are reported in both the governmental activities column on the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The City maintains a capitalization threshold of fifteen thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20-50 years	N/A
Buildings and Building Improvements	10-100 years	15-75 years
Equipment	5-40 years	10-50 years
Vehicles	5-30 years	5-15 years
Streets	10-40 years	N/A
Sewer and Storm Water Lines	N/A	50 years

K. Deferred Charge on Refunding

For refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances”.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension/OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column on the government-wide statement of net position.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in City policies or by union contracts. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. The net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient to pay those benefits. General obligation bonds, long-term loans, and capital leases are recognized as liabilities on the fund financial statements when due.

O. Unamortized Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

Under Ohio law, premiums on the original issuance of debt are to be deposited to a bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow for premiums on refunding debt to be used as part of the payment to a bond escrow agent.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities for maintenance and repair of State highways, various economic development related grants, the transit system, and a number of law enforcement grants. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by City Council. The City Council has assigned fund balance to cover a gap between estimated resources and appropriations in the 2021 budget, amounts for airport improvements, and other miscellaneous purposes.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer, sanitation, and storm water, charges for anticipated postclosure costs at the landfill, admission charges for the Aquatics Center, and charges for vehicle maintenance in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

S. Capital Contributions

Capital contributions arise from contributions of capital assets from other governments.

T. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Pension/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

V. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, “Certain Asset Retirement Obligations”. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

State and federal laws and regulations require the City to go through a decommissioning process if the wastewater treatment facility was to close. Through the decommissioning process, the City would be responsible for remediating any public safety issues associated with the wastewater treatment facility. The asset retirement obligation associated with the City’s wastewater treatment facility cannot be estimated at this time.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2020, the following funds had a deficit fund balance/net position:

Fund Type/Fund	Deficit
Nonmajor Capital Projects Funds	
Capital Improvements	\$4,274
Airport Improvement	468,594
Enterprise Funds	
Landfill	666,876
Aquatics Center	702,350

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The deficit fund balance in the Capital Improvements and Airport Improvement capital projects funds resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit net position in the Landfill enterprise fund resulted from the requirement to report future postclosure costs. The City is setting aside resources to pay these future costs as they come due. The deficit net position in the Aquatics Center enterprise fund is due to accumulated operating losses from prior years. The fund had an operating income for 2020 and will begin to reduce the deficit as the debt gets paid down.

B. Compliance

The Street Construction, Maintenance, and Repair fund had original appropriations in excess of estimated resources plus available balances, in the amount of \$60,856.

The following funds had final appropriations in excess of estimated resources plus available balances for the year ended December 31, 2020.

	Estimated Resources Plus Available Balances	Appropriations	Variance
Street Construction, Maintenance, and Repair	\$3,392,712	\$3,468,568	\$75,856
Police, Dispatch, and Fire Income Tax	15,211,351	15,524,925	313,574
Municipal Court Docket Specialist	71,843	76,339	4,496
ADAMH Grant	42,933	69,442	26,509
Critical Infrastructure Grant	501,700	537,500	35,800
CDBG	94	202,000	201,906
Capital Improvement	763,489	1,501,379	737,890
Airport Improvement	724,805	1,104,115	379,310
Sewer	16,663,841	27,741,900	11,078,059
Central Garage	1,238,875	1,424,773	185,898

The City Auditor will review appropriations to ensure they are within available resources.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2020.

Fund Program/Department/Object	Appropriations	Expenditures Plus Encumbrances	Excess
Street Construction, Maintenance, and Repair			
Transportation - Other			
Streets			
Contractual Services	\$810,130	\$1,347,932	\$537,802
Police, Dispatch, and Fire Income Tax			
Security of Persons and Property - Police			
Police Department			
Capital Outlay	20,450	159,045	138,595
Security of Persons and Property - Fire			
Fire Department			
Capital Outlay	0	238,164	238,164
Municipal Motor Vehicle License			
Transportation - Other			
Streets			
Contractual Services	195,000	385,109	190,109
Police and Fire Pension			
Security of Persons and Property - Fire			
Fire Department			
Contractual Services	5,300	6,411	1,111
Tax Incremental Financing			
Transfers Out	109,869	203,490	93,621

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

Fund Program/Department/Object	Appropriations	Expenditures Plus Encumbrances	Excess
Airport Improvement			
Transportation - Other			
Airport			
Contractual Services	\$37,883	\$59,149	\$21,266
Capital Outlay	1,066,232	1,095,665	29,433
Sewer			
Principal Retirement	2,058,232	2,098,367	40,135
Storm Water			
Interest Expense	403,816	407,491	3,675

The City Auditor will monitor budgetary transactions to ensure expenditures are within amounts appropriated.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund and the Street Construction, Maintenance, and Repair, and Police, Dispatch, and Fire Income Tax special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Changes in Fund Balance

	General	Street Construction, Maintenance, and Repair	Police, Dispatch, and Fire Income Tax
GAAP Basis	\$1,653,961	(\$131,080)	\$665,538
<u>Increases (Decreases) Due To</u>			
Revenue Accruals:			
Accrued 2019, Received in Cash 2020	831,371	195,352	590,298
Accrued 2020, Not Yet Received in Cash	(1,917,999)	660,644	(707,552)
Expenditure Accruals:			
Accrued 2019, Paid in Cash 2020	(221,060)	(344,733)	(595,074)
Accrued 2019, Not Yet Paid in Cash	281,280	101,714	827,862
Cash Adjustments:			
Unrecorded Activity 2019	82,374	8,873	118,825
Unrecorded Activity 2020	241,808	(11,706)	(145,384)
Prepaid Items	(5,611)	(1,718)	(16,993)
Materials and Supplies Inventory	(20,186)	(12,494)	(683)
Advances Out	(750,000)	0	0
Transfers In	0	(847,936)	0
Transfer Out	934,745	0	0
Budget Basis	\$1,110,683	(\$383,084)	\$736,837

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active deposits must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$31,280 of the City's bank balance of \$5,067,599 was exposed to custodial credit risk because it was uninsured and uncollateralized. One of the City's financial institutions participating in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured or by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments

Investments are reported at fair value. As of December 31, 2020, the City had the following investments:

	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Fair Value - Level One Inputs					
Mutual Funds	\$852,844	\$852,844	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	5,130,349	245,451	249,150	1,283,630	3,352,118
Federal Farm Credit Bank Notes	500,005	0	0	0	500,005
Federal Home Loan Bank Notes	399,160	0	0	0	399,160
Federal National Mortgage Association Notes	250,155	0	0	0	250,155
Municipal Bonds	1,256,195	0	1,256,195	0	0
Total Fair Value - Level Two Inputs	<u>7,535,864</u>	<u>245,451</u>	<u>1,505,345</u>	<u>1,283,630</u>	<u>4,501,438</u>
Amortized Cost					
Commercial Paper	1,497,638	0	1,497,638	0	0
Total Investments	<u>\$9,886,346</u>	<u>\$1,098,295</u>	<u>\$3,002,983</u>	<u>\$1,283,630</u>	<u>\$4,501,438</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2020. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs). The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the City from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The mutual funds carry a rating of Aaa by Moody's. Negotiable certificates of deposit are generally covered by FDIC and/or SIPC insurance. The federal agency securities carry a rating of Aaa by Moody's. The municipal bonds carry a rating of Aa2 or Aa3 by Moody's and SP-1+ by Standard and Poor's. The commercial paper carries a rating of P-1 by Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and commercial paper must be rated in the highest category at the time of purchase by two nationally recognized standard rating services

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$5,130,349	51.89%
Federal Farm Credit Bank	500,005	5.06
Federal Home Loan Bank	399,160	4.04
Federal National Mortgage Association	250,155	2.53
Municipal Bonds	1,256,195	12.71
Commercial Paper	1,497,638	15.15

NOTE 7 - RECEIVABLES

Receivables at December 31, 2020, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; payment in lieu of taxes, and notes. Receivables are considered collectible in full and within one year, except for municipal income taxes, property taxes, and notes. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$395,035 will not be received within one year.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant program. The notes have an annual interest rate of zero to 2 percent and are to be repaid over periods ranging from ten to eleven years. A summary of the changes in notes receivable during 2020 follows:

	Balance December 31, 2019	New Loans	Repayments	Balance December 31, 2020
Special Revenue Fund				
Revolving Loans	\$426,234	\$0	\$31,199	\$395,035

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 7 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$80,059
Local Government	472,774
Cigarette Tax	1,953
State of Ohio	1,445
Marion City School District	3,200
Total General Fund	559,431
Street Construction, Maintenance, and Repair	
Gasoline Tax	704,464
Motor Vehicle License Tax	256,334
Total Street Construction, Maintenance, and Repair	960,798
Police, Dispatch, and Fire Income Tax	
Bulletproof Vest Grant	
Department of Public Safety	4,769
Overtime Grant	15,233
State of Ohio	1,205
City of Mansfield	474
Total Police, Dispatch, and Fire Income Tax	21,681
Total Major Funds	1,541,910
Nonmajor Funds	
Senior Citizens	
Ohio District 5 Area on Aging	16,519
State Highway	
Gasoline Tax	57,119
Motor Vehicle License Tax	9,250
Total State Highway	66,369

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Community Corrections	
Community Based Corrections	\$117,596
Indigent Alcohol Monitoring	
Department of Public Safety	1,507
Police and Fire Pension	
Homestead and Rollback	14,630
Adult Drug Court	
Adult Drug Court	19,549
Marion Area Transit	
Marion County	622
Ohio Department of Transportation	68,290
Total Marion Area Transit	68,912
Airport Improvement	
Federal Aviation Administration	69,190
Total Nonmajor Funds	374,272
Total Governmental Activities	\$1,916,182
 Business-Type Activities	
Sewer	
Ohio Water Development Authority	\$2,942,466

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies an income tax of 2 percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 50 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue is credited to the General Fund; the Street Construction, Maintenance, and Repair and the Police, Dispatch, and Fire Income Tax special revenue funds; and the Capital Improvements capital projects fund, in the amount of 1 percent, .075 percent, .875 percent, and .05 percent, respectively.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2020 represent the collection of 2019 taxes. Real property taxes received in 2020 were levied after October 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2020 represent the collection of 2019 taxes. Public utility real and tangible personal property taxes received in 2020 became a lien on December 31, 2018, were levied after October 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Marion. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2020, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2020 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2020, was \$4.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2020 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$292,047,810
Commercial/Industrial	88,593,090
Public Utility Real	206,840
Public Utility Personal	36,061,190
Total	<u>\$416,908,930</u>

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 10 - PAYMENT IN LIEU OF TAXES

In accordance with agreements related to tax increment financing districts, the City has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The property owners contractually promise to make these payments in lieu of taxes until the agreement expires.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$8,327,406	\$0	\$0	\$8,327,406
Construction in Progress	2,107,508	1,010,686	(3,118,194)	0
Total Nondepreciable Capital Assets	<u>10,434,914</u>	<u>1,010,686</u>	<u>(3,118,194)</u>	<u>8,327,406</u>
Depreciable Capital Assets				
Land Improvements	2,566,947	0	0	2,566,947
Buildings and Building Improvements	25,452,428	1,402,589	0	26,855,017
Equipment	3,114,576	99,962	0	3,214,538
Vehicles	6,393,601	772,849	(42,058)	7,124,392
Streets	143,186,024	2,796,900	(815,041)	145,167,883
Total Depreciable Capital Assets	<u>180,713,576</u>	<u>5,072,300</u>	<u>(857,099)</u>	<u>184,928,777</u>
Less Accumulated Depreciation for				
Land Improvements	(1,089,335)	(122,430)	0	(1,211,765)
Buildings and Building Improvements	(7,345,607)	(379,133)	0	(7,724,740)
Equipment	(2,337,964)	(158,599)	0	(2,496,563)
Vehicles	(3,171,628)	(373,178)	8,412	(3,536,394)
Streets	(126,661,161)	(3,864,391)	785,031	(129,740,521)
Total Accumulated Depreciation	<u>(140,605,695)</u>	<u>(4,897,731)</u>	<u>793,443</u>	<u>(144,709,983)</u>
Total Depreciable Capital Assets, Net	<u>40,107,881</u>	<u>174,569</u>	<u>(63,656)</u>	<u>40,218,794</u>
Governmental Activities Capital Assets, Net	<u>\$50,542,795</u>	<u>\$1,185,255</u>	<u>(\$3,181,850)</u>	<u>\$48,546,200</u>

Governmental funds accepted contributions of capital assets from other governments with a fair value of \$25,823.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$662,633	\$0	\$0	\$662,633
Construction in Progress	9,160,399	16,289,264	(2,703,026)	22,746,637
Total Nondepreciable Capital Assets	<u>9,823,032</u>	<u>16,289,264</u>	<u>(2,703,026)</u>	<u>23,409,270</u>
Depreciable Capital Assets				
Buildings	28,033,642	0	0	28,033,642
Equipment	4,886,203	245,085	0	5,131,288
Vehicles	2,501,490	632,451	0	3,133,941
Sewer and Storm Water Lines	53,571,869	2,703,026	(29,548)	56,245,347
Total Depreciable Capital Assets	<u>88,993,204</u>	<u>3,580,562</u>	<u>(29,548)</u>	<u>92,544,218</u>
Less Accumulated Depreciation for				
Buildings	(23,040,566)	(1,674,619)	0	(24,715,185)
Equipment	(3,854,307)	(201,299)	0	(4,055,606)
Vehicles	(1,128,936)	(143,959)	0	(1,272,895)
Sewer and Storm Water Lines	(20,534,164)	(918,634)	29,548	(21,423,250)
Total Accumulated Depreciation	<u>(48,557,973)</u>	<u>(2,938,511)</u>	<u>29,548</u>	<u>(51,466,936)</u>
Total Depreciable Capital Assets, Net	<u>40,435,231</u>	<u>642,051</u>	<u>0</u>	<u>41,077,282</u>
Business-Type Activities Capital Assets, Net	<u>\$50,258,263</u>	<u>\$16,931,315</u>	<u>(\$2,703,026)</u>	<u>\$64,486,552</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$103,129
Security of Persons and Property - Fire	134,374
Public Health	236
Leisure Time Activities	48,387
Transportation - Transit	80,996
Transportation - Other	4,113,164
General Government - Court	23,512
General Government - Other	393,933
Total Depreciation Expense - Governmental Activities	<u>\$4,897,731</u>

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 12 - INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2020, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Other Governmental	\$541,320
Storm Water	411,083
Internal Service	262,080
Total General Fund	<u>\$1,214,483</u>
Due to Sewer Fund from:	
General	\$383
Police, Dispatch, and Fire Income Tax	280
Other Governmental	38
Landfill	2,882
Internal Service	93
Total Sewer Fund	<u>\$3,676</u>
Due to Storm Water from:	
Sewer	<u>\$180</u>
Due to Internal Service Fund from:	
General	\$2,808
Street Construction, Maintenance, and Repair	25,891
Police, Dispatch, and Fire Income Tax	19,736
Other Governmental	7,775
Sewer	5,620
Sanitation	15,673
Total Internal Service Fund	<u>\$77,503</u>

The balance due to the General Fund consists of loans made to provide working capital for operations or projects. This amount is expected to be received within one year.

The amount due to the Sewer Fund resulted from services provided. This amount is expected to be received within one year.

The amount due to the Storm Water Fund resulted from services provided. This amount is expected to be received within one year.

The amount due to the Internal Service Fund resulted from services provided. This amount is expected to be received within one year.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 13 - RISK MANAGEMENT

The City participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity shared risk pool. The City pays an annual premium to the pool for various types of insurance coverage. Member municipalities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2020, the City had the following insurance coverage:

Type of Coverage	Coverage	Deductible
Property	\$55,957,896	\$1,000
General Liability		
Aggregate	5,000,000	5,000
Law Enforcement Liability	5,000,000	5,000
Emergency Medical Services Liability	5,000,000	5,000
Public Officials Liability	5,000,000	5,000
Automobile Liability	5,000,000	0
Uninsured Motorists	40,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been any significant reduction in coverage from the prior year.

For 2020, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the plan if written notice is provided sixty days prior to the prescribed application deadline to the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent a liability to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represents the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation, including pension and OPEB.

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the pension amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net pension/OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, public safety, and law enforcement divisions. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor, and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343. (See the OPERS Annual Comprehensive Financial Report referenced above for additional information including requirements for reduced and unreduced benefits.)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other groups and members hired on or after January 7, 2013
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost of living adjustment.

When a traditional plan benefit recipient has received benefits for twelve months, current law provides an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost of living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index capped at 3 percent.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Defined contribution plan benefits are established in the plan documents which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed plan participants must have attained the age of fifty-five, have money on deposit in the defined contribution plan, and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the member's contributions, vested employer contributions, and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five year period at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS account. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance net of taxes withheld, or a combination of these options.

Beginning in 2022, the combined plan will be consolidated under the traditional plan (defined benefit plan) and the combined plan option will no longer be available for new hires beginning in 2022.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

	State and Local	Public Safety	Law Enforcement
2020 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0 %	**	***
2020 Actual Contribution Rates			
Employer			
Pension ****	14.0 %	18.1 %	18.1 %
Postemployment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

*** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2020, the City's contractually required contribution was \$1,132,270 for the traditional plan, \$27,949 for the combined plan, and \$23,266 for the member-directed plan. Of these amounts, \$122,306 is reported as an intergovernmental payable for the traditional plan, \$3,015 for the combined plan, and \$2,513 for the member-directed plan.

Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - Full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information, required supplementary information, and detailed information about OPF's fiduciary net position that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, an OPF member may retire and receive a lifetime monthly pension. OPF offers four types of service retirement; normal, service commuted, age/service commuted, and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is fifty-two for normal service retirement with at least twenty-five years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is forty-eight for normal service retirement with at least twenty-five years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first twenty years of service credit, 2 percent for each of the next five years of service credit, and 1.5 percent for each year of service credit in excess of twenty-five years. The maximum pension of 72 percent of the allowable average annual salary is paid after thirty-three years of service credit. (See the OPF Annual Comprehensive Financial Report referenced above for additional information including requirements for deferred retirement option plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least fifty-five years old and have been receiving OPF benefits for at least one year may be eligible for a cost of living allowance adjustment. The age fifty-five provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Members retiring under normal service retirement, with less than fifteen years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percentage increase, if any, in the Consumer Price Index over the twelve month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least fifteen years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
 2020 Actual Contribution Rates		
Employer		
Pension	19.00 %	23.50 %
Postemployment Health Care Benefits	.50	.50
Total Employer	19.50 %	24.00 %
Total Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$1,767,093 for 2020. Of this amount, \$210,084 is reported as an intergovernmental payable.

Pension Liability (Asset) , Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Following is information related to the proportionate share and pension expense.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportion of the Net Pension Liability/Asset				
Current Measurement Date	0.05548700%	0.04377900%	0.32932160%	
Prior Measurement Date	0.05575500%	0.03393100%	0.32605000%	
Change in Proportionate Share	<u>0.00026800%</u>	<u>0.00984800%</u>	<u>0.00327160%</u>	
Proportionate Share				
Net Pension Liability	\$10,967,382	\$0	\$22,184,862	\$33,152,244
Net Pension Asset	\$0	\$91,291	\$0	\$91,291
Pension Expense	\$1,793,826	\$8,496	\$3,174,565	\$4,976,887

Pension expense for the member-directed defined contribution plan was \$23,266 for 2020. The aggregate pension expense for all pension plans was \$5,000,153 for 2020.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Difference Between Expected and Actual Experience	\$0	\$0	\$839,768	\$839,768
Changes of Assumptions	585,787	9,413	544,581	1,139,781
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	45,837	0	657,730	703,567
City Contributions Subsequent to the Measurement Date	1,132,270	27,949	1,767,093	2,927,312
Total Deferred Outflows of Resources	<u>\$1,763,894</u>	<u>\$37,362</u>	<u>\$3,809,172</u>	<u>\$5,610,428</u>
Deferred Inflows of Resources				
Difference Between Expected and Actual Experience	\$138,667	\$21,432	\$1,144,163	\$1,304,262
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,187,746	11,841	1,071,707	3,271,294
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	35,309	13,476	32,005	80,790
Total Deferred Inflows of Resources	<u>\$2,361,722</u>	<u>\$46,749</u>	<u>\$2,247,875</u>	<u>\$4,656,346</u>

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

\$2,927,312 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase in the net pension asset in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Year Ending December 31,	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
2021	(\$232,848)	(\$7,615)	\$120,504	(\$119,959)
2022	(719,166)	(7,393)	143,195	(583,364)
2023	90,594	(4,090)	534,114	620,618
2024	(868,678)	(8,428)	(920,827)	(1,797,933)
2025	0	(3,037)	(82,782)	(85,819)
Thereafter	0	(6,773)	0	(6,773)
Total	<u>(\$1,730,098)</u>	<u>(\$37,336)</u>	<u>(\$205,796)</u>	<u>(\$1,973,230)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	1.4 percent simple through 2020, then 2.15 percent simple	1.4 percent simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	individual entry age	individual entry age

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 3 percent simple through 2018 then 2.15 percent simple to 1.4 percent simple through 2020 then 2.15 percent simple.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Preretirement mortality rates were based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios; the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the traditional plan, the defined benefit component of the combined plan, and the annuitized accounts of the member-directed plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. Each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, is summarized in the following table.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	<u>100.00 %</u>	

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.2 percent for the traditional and the combined plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for all three plans was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
City's Proportionate Share of the Net Pension Liability (Asset)			
OPERS Traditional Plan	\$18,088,762	\$10,967,382	\$4,565,470
OPERS Combined Plan	(\$55,162)	(\$91,291)	(\$117,328)

Actuarial Assumptions - OPF

OPF's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI based COLA, investment returns, salary increases, and payroll growth.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum compounded annually consisting of an inflation rate of 2.75 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries were adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments was determined using a building block approach and assumes a time horizon as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2019, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equities	16.00	5.40
Non-U.S. Equities	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income*	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

Note: assumptions are geometric
* levered 2x

OPF's Board of Trustees has incorporated the risk parity concept into OPF's asset liability valuation with the goal of reducing equity risk exposure which reduces overall total portfolio risk without sacrificing return and creating a more risk balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City’s Proportionate Share of the Net Pension Liability	\$30,747,448	\$22,184,862	\$15,023,108

NOTE 15 - DEFINED BENEFIT OPEB PLANS

See Note 14 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment health care trust which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a health reimbursement arrangement to qualifying benefit recipients of both the traditional and combined pension plans. This trust is also used to fund health care for member-directed plan participants in the form of a retiree medical account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined pension plans must have twenty or more years of qualifying Ohio service credit and a minimum age of sixty or generally thirty years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 75. (See the OPERS Annual Comprehensive Financial Report referenced below for additional information.)

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional and combined plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. For 2020, OPERS did not allocate any employer contributions to health care for members in the traditional and combined plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2020.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$9,307 for 2020. Of this amount, \$1,005 is reported as an intergovernmental payable.

Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OPF implemented a new model for health care. Under this model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OPF health care stipend unless they have access to any other group coverage, including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage, including employer or retirement coverage, they are not eligible for stipend support from OPF. Even if an OPF member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OPF meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 75.

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contribution for retiree health care benefits. For 2020, the portion of the employer contribution allocated to health care was .5 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OPF was \$41,744 for 2020. Of this amount, \$4,943 is reported as an intergovernmental payable.

OPEB Liability, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and the total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

Following is information related to the proportionate share and OPEB expense.

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Current Measurement Date	0.05430900%	0.32932160%	
Prior Measurement Date	0.05387000%	0.32605000%	
Change in Proportionate Share	<u>0.00043900%</u>	<u>0.00327160%</u>	
Proportionate Share of the Net OPEB Liability	\$7,501,485	\$3,252,949	\$10,754,434
OPEB Expense	\$880,656	\$353,093	\$1,233,749

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Difference Between Expected and Actual Experience	\$202	\$0	\$202
Changes of Assumptions	1,187,405	1,901,800	3,089,205
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	61,314	150,134	211,448
City Contributions Subsequent to the Measurement Date	9,307	41,744	51,051
Total Deferred Outflows of Resources	<u>\$1,258,228</u>	<u>\$2,093,678</u>	<u>\$3,351,906</u>
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	\$686,045	\$349,823	\$1,035,868
Changes of Assumptions	0	693,253	693,253
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	381,974	149,689	531,663
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	1,076	32,330	33,406
Total Deferred Inflows of Resources	<u>\$1,069,095</u>	<u>\$1,225,095</u>	<u>\$2,294,190</u>

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

\$51,051 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	OPERS	OPF	Total
Year Ending December 31,			
2021	\$238,260	\$148,841	\$387,101
2022	104,483	148,841	253,324
2023	306	179,546	179,852
2024	(163,223)	131,137	(32,086)
2025	0	144,797	144,797
Thereafter	0	73,677	73,677
Total	\$179,826	\$826,839	\$1,006,665

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74.

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	
Current Measurement Date	3.16 percent
Prior Measurement Date	3.96 percent
Investment Rate of Return	6 percent
Municipal Bond Rate	
Current Measurement Date	2.75 percent
Prior Measurement Date	3.71 percent
Health Care Cost Trend Rate	
Current Measurement Date	10.5 percent initial
	3.50 percent ultimate in 2030
Prior Measurement Date	10 percent initial
	3.25 percent ultimate in 2029
Actuarial Cost Method	individual entry age

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

Preretirement mortality rates were based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes assets for health care expenses for the traditional plan, the combined plan, and the member-directed plan eligible members. Within the Health Care portfolio, if any contributions are made into the plan, contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

Each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2019, is summarized in the following table.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	<u>100.00 %</u>	

Discount Rate - A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of twenty year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the expected rate of return on the health care investment portfolio of 6 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through 2034 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.16 percent) or one percentage point higher (4.16 percent) than the current rate.

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's Proportionate Share of the Net OPEB Liability	\$9,816,895	\$7,501,485	\$5,647,593

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1 percent lower or 1 percent higher than the current rate.

Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.5 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not too distant future, the health plan cost trend will decrease to a level at or near wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate assumed to be 3.5 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City’s Proportionate Share of the Net OPEB Liability	\$7,280,121	\$7,501,485	\$7,720,024

Changes Between the Measurement Date and the Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in an effort to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees as well as replacing OPERS sponsored medical plans for pre-Medicare retirees with monthly allowances similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions - OPF

OPF’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF’s actuaries in accordance with GASB Statement No. 74 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitations.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single Discount Rate	
Current Measurement Date	3.56 percent
Prior Measurement Date	4.66 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries were adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS (continued)

The OPF health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate - For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019, and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation Twenty Year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to all projected costs through 2034 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent) or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's Proportionate Share of the Net OPEB Liability	\$4,033,448	\$3,252,949	\$2,604,411

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 16 - OTHER EMPLOYEE BENEFITS

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending upon length of service and standard work week. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Upon retirement, employees are entitled to the value of their accumulated unused sick leave at varying percentages to a maximum of one hundred to one hundred twelve and one-half days based on City policy and union contracts.

NOTE 17 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2020, was as follows:

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2010 Police and Fire Pension Refunding						
(Original Amount \$794,300)	2-4.3%	\$83,200	\$0	\$83,200	\$0	\$0
2010 Street Improvement						
(Original Amount \$1,598,850)	2-4.3	957,000	0	957,000	0	0
2010 Computer Equipment						
(Original Amount \$775,200)	2-4.3	464,000	0	464,000	0	0
2010 City Hall Roof						
(Original Amount \$110,000)	2-3.75	65,000	0	65,000	0	0
2010 Generator						
(Original Amount \$225,000)	2-3.75	135,000	0	135,000	0	0
2010 Fire Truck						
(Original Amount \$320,000)	2-3.75	35,000	0	35,000	0	0
2010 Police Records						
(Original Amount \$355,000)	2-3.75	40,000	0	40,000	0	0
2010 Central Garage						
(Original Amount \$1,376,250)	1.75-4	803,750	0	803,750	0	0
2018 City Hall HVAC						
(Original Amount \$240,000)	2.5-4	230,000	0	10,000	220,000	10,000
Premium		11,723	0	510	11,213	0
2018 EMS Vehicle						
(Original Amount \$265,000)	2.5-4	245,000	0	25,000	220,000	25,000
Premium		6,804	0	694	6,110	0

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Governmental Activities</u> (continued)						
General Obligation Bonds (continued)						
2020 Street Improvement						
(Original Amount \$827,000)	1-4%	\$0	\$827,000	\$14,000	\$813,000	\$76,000
Premium		0	89,829	1,521	88,308	0
2020 Computer Equipment						
(Original Amount \$401,000)	1-4	0	401,000	6,000	395,000	37,000
Premium		0	43,576	652	42,924	0
2020 City Hall Roof						
(Original Amount \$56,000)	1-4	0	56,000	1,000	55,000	5,000
Premium		0	6,377	114	6,263	0
2020 Generator						
(Original Amount \$116,000)	1-4	0	116,000	1,000	115,000	10,000
Premium		0	13,793	119	13,674	0
2020 Central Garage						
(Original Amount \$693,000)	1-4	0	693,000	2,750	690,250	64,500
Premium		0	76,040	302	75,738	0
Total General Obligation Bonds		<u>3,076,477</u>	<u>2,322,615</u>	<u>2,646,612</u>	<u>2,752,480</u>	<u>227,500</u>
Other Long-Term Obligations						
OPWC Loan from Direct Borrowing						
#CP10D Marion Williamsport Road Improvements						
(Original Amount \$128,202)	0.00	19,232	0	6,410	12,822	6,410
Net Pension Liability						
Ohio Public Employees Retirement System						
		10,231,011	0	2,992,538	7,238,473	0
Ohio Police and Fire						
		26,614,295	0	4,429,433	22,184,862	0
Total Net Pension Liability		<u>36,845,306</u>	<u>0</u>	<u>7,421,971</u>	<u>29,423,335</u>	<u>0</u>
Net OPEB Liability						
Ohio Public Employees Retirement System						
		4,705,660	245,320	0	4,950,980	0
Ohio Police and Fire						
		2,969,185	283,764	0	3,252,949	0
Total Net OPEB Liability		<u>7,674,845</u>	<u>529,084</u>	<u>0</u>	<u>8,203,929</u>	<u>0</u>
Compensated Absences Payable						
		4,831,426	673,690	635,052	4,870,064	939,110
Capital Leases						
		428,203	0	68,082	360,121	72,131
Total Other Long-Term Obligations		<u>49,799,012</u>	<u>1,202,774</u>	<u>8,131,515</u>	<u>42,870,271</u>	<u>1,017,651</u>
Total Governmental Activities		<u>\$52,875,489</u>	<u>\$3,525,389</u>	<u>\$10,778,127</u>	<u>\$45,622,751</u>	<u>\$1,245,151</u>

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2010 Various Purpose A						
(Original Amount \$7,786,650)	2-4.3%	\$2,035,800	\$0	\$2,035,800	\$0	\$0
2010 Various Purpose B						
(Original Amount \$7,183,750)	1.75-4	4,326,250	0	4,326,250	0	0
2012 Various Purpose						
(Original Amount \$11,235,000)	2-4	11,095,000	0	10,410,000	685,000	685,000
2018 Various Purpose						
(Original Amount \$6,980,000)	2.5-4	6,785,000	0	265,000	6,520,000	265,000
Premium		341,713	0	13,342	328,371	0
2020A Various Purpose						
(Original Amount \$5,007,000)	1-4	0	5,007,000	40,250	4,966,750	462,500
Premium		0	547,249	4,399	542,850	0
2020B Various Purpose						
(Original Amount \$11,120,000)	.37-2.37	0	11,120,000	130,000	10,990,000	140,000
Total General Obligation Bonds		<u>24,583,763</u>	<u>16,674,249</u>	<u>17,225,041</u>	<u>24,032,971</u>	<u>1,552,500</u>
Other Long-Term Obligations						
OWDA Loans from Direct Borrowings						
#3397 WRRSP						
(Original Amount \$5,366,955)	1.50%	910,765	0	299,063	611,702	303,566
#3398 WWTP Upgrade						
(Original Amount \$20,784,201)	1.50	3,572,432	0	1,173,060	2,399,372	1,190,722
#7912/8542 WPC Treatment Enhancement						
(Original Amount \$20,817,270)	0.00	7,800,735	13,016,535	0	20,817,270	0
Total OWDA Loans		<u>12,283,932</u>	<u>13,016,535</u>	<u>1,472,123</u>	<u>23,828,344</u>	<u>1,494,288</u>
OPWC Loans from Direct Borrowings						
#CP06G Mary St Sanitary Sewer and Storm Water Replacement						
(Original Amount \$29,232)	0.00	8,767	0	1,459	7,308	1,459
#CP10F Uncapher Ave/ Florence St Sanitary Sewer and Storm Water Replacement						
(Original Amount \$268,990)	0.00	53,803	0	13,450	40,353	13,450
#CP16E Avondale Ave/ Catalina Dr Storm Water Replacement						
(Original Amount \$119,185)	0.00	14,891	0	5,960	8,931	5,960

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Business-Type Activities</u> (continued)						
OPWC Loans from Direct Borrowings (continued)						
#CP33E Water Pollution Control Upgrade (Original Amount \$1,070,800)	0.00%	\$240,930	\$0	\$53,540	\$187,390	\$53,540
#CP14L Franconia Avenue Sanitary Sewer and Storm Water Replacement (Original Amount \$107,827)	0.00	77,278	0	3,594	73,684	3,594
#CP05K Oakgrove and Waterloo Sanitary Sewer and Storm Water Replacement (Original Amount \$211,153)	0.00	121,410	0	10,558	110,852	10,558
#CP04M Woodrow and Henry Sanitary Sewer and Storm Water Replacement (Original Amount \$60,993)	0.00	44,721	0	2,033	42,688	2,033
#CP04N Milburn Sanitary Sewer and Storm Water Replacement (Original Amount \$73,189)	0.00	60,992	0	2,440	58,552	2,440
#CP12R Latourette Sanitary Sewer and Storm Water Replacement (Original Amount \$27,199)	0.00	24,027	0	906	23,121	906
#CP22Q North Greenwood Sanitary Sewer and Storm Water Replacement (Original Amount \$166,000)	0.00	146,633	0	5,534	141,099	5,534
#CP18S Ballentine Sanitary Sewer and Storm Water Replacement (Original Amount \$114,170)	0.00	102,754	0	3,806	98,948	3,806
#CP23S Main/State Sanitary Sewer and Storm Water Replacement (Original Amount \$119,499)	0.00	111,532	0	3,984	107,548	3,984
#CP26T South Greenwood Sanitary Sewer and Storm Water Replacement (Original Amount \$125,000)	0.00	118,751	0	4,166	114,585	4,166
#CP37T Belmont Sanitary Sewer and Storm Water Replacement (Original Amount \$375,000)	0.00	343,750	0	12,500	331,250	12,500

(continued)

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Business-Type Activities</u> (continued)						
OPWC Loans from Direct Borrowings (continued)						
#CP06T George Street Sanitary Sewer and Storm Water Replacement (Original Amount \$100,000)	0.00%	\$95,000	\$0	\$3,334	\$91,666	\$3,334
#CP17U Hane Avenue Sanitary Sewer and Storm Water Replacement (Original Amount \$200,985)	0.00	194,285	0	6,700	187,585	6,700
#CP13V Sharpless Court Sanitary Sewer and Storm Water Replacement (Original Amount \$205,639)	0.00	205,639	0	6,854	198,785	6,854
#CP14V Farming Street Sanitary Sewer and Storm Water Replacement (Original Amount \$64,177)	0.00	64,177	0	0	64,177	2,140
#CP18W Uhler Avenue Sanitary Sewer and Storm Water Replacement (Original Amount \$244,334)	0.00	37,595	206,739	0	244,334	0
#CP09W Park Street Sanitary Sewer and Storm Water Replacement (Original Amount \$104,141)	0.00	0	104,141	1,736	102,405	3,471
Total OPWC Loans		<u>2,066,935</u>	<u>310,880</u>	<u>142,554</u>	<u>2,235,261</u>	<u>146,429</u>
Net Pension Liability						
Ohio Public Employees Retirement System		5,039,155	0	1,310,246	3,728,909	0
Net OPEB Liability						
Ohio Public Employees Retirement System		2,317,714	232,791	0	2,550,505	0
Compensated Absences Payable		528,242	98,729	7,684	619,287	138,649
Postclosure Costs Payable		1,015,714	0	154,896	860,818	163,900
Total Other Long-Term Obligations		<u>23,251,692</u>	<u>13,658,935</u>	<u>3,087,503</u>	<u>33,823,124</u>	<u>1,943,266</u>
Total Business-Type Activities		<u>\$47,835,455</u>	<u>\$30,333,184</u>	<u>\$20,312,544</u>	<u>\$57,856,095</u>	<u>\$3,495,766</u>

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds

On June 9, 2010, the City issued general obligation refunding bonds, in the amount of \$6,110,000, to refund general obligation bonds previously issued in 2000 to pay the long-term liability to the Police and Fire Pension System and to construct and replace sewer and storm water lines. The bonds were issued for a ten year period, with final maturity in 2020. The bonds matured and were fully retired in 2020.

On June 9, 2010, the City issued unvoted general obligation bonds, in the amount of \$4,845,000; \$708,483 to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive, \$485,655 for constructing public infrastructure improvements related to constructing and extending Lakes Boulevard, \$404,712 for improving Barks Road between Delaware Avenue and State Route 529, \$775,200 for acquiring and installing a comprehensive financial management software system, \$1,884,922 for sewer and storm water improvements on Blaine Avenue, and \$586,028 for sewer and storm water improvements on Forest Lawn Boulevard. The bonds were issued for a twenty year period with final maturity in 2030. The remaining bonds were fully refunded in 2020.

On September 30, 2010, the City issued unvoted general obligation bonds, in the amount of \$9,570,000; \$1,010,000 to retire notes previously issued for roof repair and to purchase various equipment and a vehicle, \$1,376,250 for constructing, equipping, and furnishing a central garage building, \$3,085,287 for sewer improvements, and \$4,098,463 for storm water improvements. The bonds were issued for a twenty year period with final maturity in 2030. The remaining bonds were fully refunded in 2020.

On July 11, 2012, the City issued unvoted general obligation bonds, in the amount of \$11,235,000; \$9,400,000 to retire notes previously issued for sewer, landfill, and storm water improvements and construction of an Aquatic Center, \$120,000 for sewer and storm water improvements on Columbia Street, \$320,000 for sewer and storm water improvements on Oak Street, Milburn Avenue, and Meadow Street, \$45,000 for storm water improvements on Robinson Avenue, \$115,000 for sewer improvements on West Center Street, \$20,000 for improving Marion Plaza and Royal Oaks Subdivision, \$20,000 for Landfill improvements, \$365,000 additional proceeds for constructing an Aquatic Center, \$280,000 for sewer and storm water improvements on Latourette Street, \$275,000 for sewer and storm water improvements on Greenwood Street, and \$275,000 for sewer and storm water improvements on Orchard Street. The bonds were issued for a twenty year period with final maturity in 2033. The bonds will be paid from the from the Sewer, Landfill, Storm Water, and Aquatic Center enterprise funds. The bonds were partially refunded in 2020.

As of December 31, 2020, all of the proceeds had been spent and \$20,000 was spent on items which were not capitalized.

On September 5, 2018, the City issued unvoted general obligation bonds, in the amount of \$7,485,000, to retire notes previously issued for City Hall improvements, the purchase of an EMS vehicle, and sewer and storm water improvements. The bonds were issued for a twenty year period with final maturity in 2038. The bonds will be retired through the Bond Retirement debt service fund and the Sewer and Storm Water enterprise funds.

As of December 31, 2020, all of the proceeds had been spent and \$825,000 was spent on items which were not capitalized.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on or after December 1, 2029, are subject to optional redemption prior to maturity, on December 1, 2028, either in whole or in part, in such order as the City shall determine, on any date on or after December 1, 2028, at a redemption price equal 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

On November 5, 2020, the City issued general obligation refunding bonds, in the amount of \$7,100,000, to currently refund general obligation bonds previously issued in 2010 to retire notes previously issued for constructing public infrastructure improvements related to constructing a portion of Wellness Drive, for constructing public infrastructure improvements related to constructing and extending Lakes Boulevard, for improving Barks Road between Delaware Avenue and State Route 529, for acquiring and installing a comprehensive financial management software system, for sewer and storm water improvements on Blaine Avenue, for sewer and storm water improvements on Forest Lawn Boulevard, to retire notes previously issued for roof repair and to purchase various equipment and a vehicle, for constructing, equipping, and furnishing a central garage building, for sewer improvements, and for storm water improvements. The bonds were issued at a premium of \$776,864. The bonds were issued for a ten year period, with final maturity in 2030. The bonds will be paid from the Bond Retirement debt service fund, the Sewer and Storm Water enterprise funds, and the Internal Service fund.

The net proceeds of the refunding bond issue, in the amount of \$7,773,794, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2010 Various Purpose A (including all 2010 governmental activities bonds, with the exception of the 2010 police and fire pension refunding bonds) and 2010 Various Purpose B Bonds. As a result, \$7,615,000 of the 2010 Various Purpose A and 2010 Various Purpose B Bonds are considered to be defeased and the liability for the bonds has been removed from the City's financial statements.

Although the refunding will result in the recognition of an accounting loss of \$158,794, the City in effect decreased its aggregate debt service payments by \$1,155,274 over the next ten years and obtained an economic gain (difference between present values of the old and new debt service payments) of \$1,071,595.

As of December 31, 2020, all of the proceeds had been spent and \$68,292 was spent on items which were not capitalized.

The serial bonds are not subject to prior redemption.

The refunded bonds were fully retired on December 7, 2020.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

On November 5, 2020, the City issued general obligation refunding bonds, in the amount of \$11,120,000, to refund general obligation bonds previously issued in 2012 to retire notes previously issued for sewer, landfill, and storm water improvements and construction of an Aquatic Center, for sewer and storm water improvements on Columbia Street, for sewer and storm water improvements on Oak Street, Milburn Avenue, and Meadow Street, for storm water improvements on Robinson Avenue, for sewer improvements on West Center Street, for improving Marion Plaza and Royal Oaks Subdivision, for Landfill improvements, for additional proceeds for constructing an Aquatic Center, for sewer and storm water improvements on Latourette Street, for sewer and storm water improvements on Greenwood Street, and for sewer and storm water improvements on Orchard Street. The bonds were issued for a thirteen year period, with final maturity in 2033. The bonds will be paid from the from the Sewer, Landfill, Storm Water, and Aquatic Center enterprise funds.

The net proceeds of the refunding bond issue, in the amount of \$10,962,890, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2012 Various Purpose Bonds. As a result, \$10,390,000 of the 2012 Various Purpose Bonds are considered to be defeased and the liability for the bonds has been removed from the City's financial statements.

Although the refunding will result in the recognition of an accounting loss of \$572,890, the City in effect decreased its aggregate debt service payments by \$1,097,964 over the next thirteen years and obtained an economic gain (difference between present values of the old and new debt service payments) of \$959,530.

As of December 31, 2020, all of the proceeds had been spent and \$818,731 was spent on items which were not capitalized.

The bonds maturing on or after December 1, 2029, are subject to optional redemption prior to maturity, on December 1, 2028, either in whole or in part, in such order as the City shall determine, on any date on or after December 1, 2028 at a redemption price equal 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

As of December 30, 2020, \$10,781,063 of the refunded bonds was still outstanding.

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund; the Street Construction, Maintenance, and Repair, Police, Dispatch, and Fire Income Tax, Senior Citizens, Municipal Court Docket Specialist, MMC Assistance, Community Corrections, Probation Services, Adult Drug Court, ADAMH Grant, and Marion Area Transit special revenue funds; the Sewer, Sanitation, Storm Water, and Aquatics Center enterprise funds; and the Central Garage internal service fund.

Compensated Absences - The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Street Construction, Maintenance, and Repair, Police, Dispatch, and Fire Income Tax, Senior Citizens, MMC Assistance, Community Corrections, Probation Services, and Marion Area Transit special revenue funds; the Sewer, Sanitation, Storm Water, and Aquatics Center enterprise funds; and the Central Garage internal service fund.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

OWDA Loans

OWDA loans from direct borrowings consist of money owed to the Ohio Water Development Authority for the preservation of Edison Woods and wastewater treatment plant improvements. OWDA loans will be paid from the Sewer enterprise fund.

In the event of default on the loans, (1) the amount of the default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

OWDA monies spent on items which were not capitalized were \$734,183 in the Sewer enterprise fund.

OPWC Loans

OPWC loans from direct borrowings consist of money owed to the Ohio Public Works Commission for road improvements and for construction of sewer and storm water lines and related construction. OPWC loans will be paid from the Tax Incremental Financing capital projects fund and the Sewer and Storm Water enterprise funds.

In the event of default on the loans, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, as provided by law, OPWC may require that the payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amount shall, at OPWC's option, become immediately due and payable.

OWDA loans are payable solely from the gross revenues of the Sewer enterprise fund and enterprise fund OPWC loans are payable solely from the gross revenues of the Sewer and Storm Water enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the OWDA loans (on completed projects for which amortization schedules are available) are \$3,011,074 and \$56,668, respectively, and total principal to be paid on the OPWC loans (on completed projects for which amortization schedules are available) is \$1,990,927. Principal and interest paid in the Sewer enterprise fund for the current year was \$1,627,363 and \$49,062 in the Storm Water enterprise fund. Total net revenues for the Sewer enterprise fund was \$2,630,312 and \$1,772,588 in the Storm Water enterprise fund. The OWDA loans are payable through 2022 and the OPWC loans are payable through 2050.

The City's legal debt margin was \$41,267,188 at December 31, 2020.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2020, were as follows:

Year	Governmental Activities		OPWC Loan from Direct Borrowings Principal
	General Obligation Bonds		
	Principal	Interest	
2021	\$227,500	\$68,075	\$6,410
2022	230,500	65,276	6,412
2023	227,500	62,445	0
2024	229,000	59,557	0
2025	236,500	56,654	0
2026-2030	1,247,250	170,920	0
2031-2035	75,000	16,000	0
2036-2037	35,000	2,200	0
	\$2,508,250	\$501,127	\$12,822

The OWDA loan #7912/8542 WPC Treatment Enhancement and OPWC loan #CP18W Uhler Avenue Sanitary Sewer and Storm Water Replacement have not been completed. An amortization schedule for the repayment of these loans will not be available until the project is completed and, therefore, are not included in the following schedule. Lines of credit with OWDA and OPWC have been established for these projects which are not yet completed, in the amount of \$31,198,944 for OWDA and \$300,000 for OPWC.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020, from the enterprise funds were as follows:

Year	Business-Type Activities				OPWC Loans from Direct Borrowings Principal
	General Obligation Bonds		OWDA Loans from Direct Borrowings		
	Principal	Interest	Principal	Interest	
2021	\$1,552,500	\$557,304	\$1,494,288	\$39,583	\$146,429
2022	1,589,500	524,975	1,516,786	17,085	143,440
2023	1,612,500	509,522	0	0	140,472
2024	1,616,000	491,489	0	0	100,250
2025	1,648,500	470,852	0	0	73,480
2026-2030	8,812,750	1,790,958	0	0	360,096
2031-2035	4,930,000	613,075	0	0	312,586
2036-2040	1,400,000	113,400	0	0	307,307
2041-2045	0	0	0	0	280,538
2046-2050	0	0	0	0	126,329
	\$23,161,750	\$5,071,575	\$3,011,074	\$56,668	\$1,990,927

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capitalized lease for vehicles. Principal payments in 2020 were \$68,082 for governmental activities.

	Governmental Activities
Vehicles	\$547,613
Less Accumulated Depreciation	(92,588)
Carrying Value, December 31, 2020	\$455,025

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2020.

Year	Governmental Activities	
	Principal	Interest
2021	\$72,131	\$17,110
2022	18,677	12,815
2023	19,508	11,984
2024	20,376	11,116
2025	21,283	10,209
2026-2030	121,493	35,967
2031-2033	86,653	7,824
Total	\$360,121	\$107,025

NOTE 19 - LANDFILL POSTCLOSURE COSTS

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City stopped accepting waste at its landfill in 1995. The \$860,818 reported as landfill postclosure costs at December 31, 2020, represents the estimated costs of maintenance and monitoring through 2025. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The December 31, 2020, liability decreased from the prior year by \$154,896 due to a change in the estimate of postclosure costs.

The City is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The City has passed the financial accountability test proving the ability to self-fund these future costs.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Street Construction, Maintenance, and Repair	Police, Dispatch, and Fire Income Tax	Other Governmental
Nonspendable for:				
Materials and Supplies Inventory	\$47,042	\$81,215	\$2,285	\$570
Prepaid Items	30,232	9,273	53,300	7,349
Total Nonspendable	<u>77,274</u>	<u>90,488</u>	<u>55,585</u>	<u>7,919</u>
Restricted for:				
Court Operations	0	0	0	1,278,089
Economic Development and Rehabilitation	0	0	0	518,887
Permanent Improvements	0	0	0	2,522,059
Police and Fire Operations	0	0	1,991,721	93,449
Railroad Crossing Improvements	0	0	0	64,125
Senior Citizen Activities	0	0	0	396,884
Street Maintenance and Construction	0	172,963	0	595,749
Transit Operations	0	0	0	120,683
Youth Activities	0	0	0	1,634
Total Restricted	<u>0</u>	<u>172,963</u>	<u>1,991,721</u>	<u>5,591,559</u>
Committed for:				
Termination Benefits	1,762	0	0	0
Assigned for:				
Airport Improvements	143,112	0	0	0
Debt Retirement	0	0	0	113,552
Projected Budget Shortage	223,920	0	0	0
Recreation	50,935	0	0	0
Softball Field Improvements	9,150	0	0	0
Underground Storage Tank	11,000	0	0	0
Wellness	15,223	0	0	0
Total Assigned	<u>453,340</u>	<u>0</u>	<u>0</u>	<u>113,552</u>
Unassigned (Deficit)	4,940,808	0	0	(472,868)
Total Fund Balance	<u>\$5,473,184</u>	<u>\$263,451</u>	<u>\$2,047,306</u>	<u>\$5,240,162</u>

NOTE 21 - INTERNAL BALANCES AND TRANSFERS

The City uses an internal proportionate share to allocate its net pension/OPEB liability (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the government-wide statement of net position thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the total column of the government-wide statement of net position include deferred outflows of resources and deferred inflows of resources for pension, in the amount of \$105,612.

Eliminations made in the business-type activities column related to pension include deferred outflows of resources and deferred inflows of resources, in the amount of \$10,883.

Eliminations made in the total column of the government-wide statement of net position include deferred outflows of resources and deferred inflows of resources for OPEB, in the amount of \$50,058.

Eliminations made in the business-type activities column related to OPEB include deferred outflows of resources and deferred inflows of resources, in the amount of \$8,589.

During 2020, the General Fund made transfers to the Street Construction, Maintenance, and Repair, and Police, Dispatch, and Fire Income Tax special revenue funds and other governmental funds, in the amount of \$847,936, \$6,090,820, and \$324,530, respectively, to subsidize operations in those funds.

Other governmental funds made transfers to other governmental funds, in the amount of \$419,343, to make debt payments as they come due.

The Sewer and Storm Water enterprise funds made transfers to other governmental funds, in the amount of \$3,205 and \$3,205, respectively, to make debt payments as they come due.

NOTE 22 - INSURANCE POOLS

A. Ohio Municipal Joint Self-Insurance Pool

The Ohio Municipal Joint Self-Insurance Pool, a risk-sharing pool, was established in 1987 to provide property and liability insurance coverage to its member municipalities. The Pool's objectives are to formulate, develop, and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of its member municipalities. The Pool is governed by a Board of Trustees elected from its membership. Each member has one vote on all issues addressed by the Board of Trustees. Participation in the pool is limited to Ohio municipalities and is by written application subject to the terms of the pool agreement. A member may withdraw its membership in the Pool at the end of any coverage period upon sixty days written notice to the Pool. Members who terminate participation in the Pool are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of its members for the coverage period. Financial information for the Pool may be obtained from the Ohio Municipal Joint Self-Insurance Pool, 1340 Depot Street, Cleveland, Ohio 44118.

B. Ohio Rural Water Association Workers' Compensation Group Rating Plan

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Financial information may be obtained from the Ohio Rural Water Association Workers' Compensation Group Rating Plan, 975 Linden Avenue, Zanesville, Ohio 43701.

NOTE 23 - JOINTLY GOVERNED ORGANIZATIONS

A. Marion County General Health District

The City participates in the Marion County General Health District, a jointly governed organization created according to the provisions of Ohio Revised Code Section 3709.07. The General Health District is governed by a Board of Health consisting of three members representing the City of Marion and appointed by the Mayor, three members representing Marion County and appointed by the District Advisory Council, and one member appointed by the Health District Licensing Council. Each participant's ability to influence the operations of the Health District is limited to its representation on the Board. For 2020, the City contributed \$338,919 to the Marion County General Health District. Financial information can be obtained from the Marion County Auditor, 222 West Center Street, Marion, Ohio 43302.

NOTE 23 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Marion Port Authority

The Marion Port Authority is a jointly governed organization between Marion County and the City of Marion. The Port Authority may acquire, purchase, construct, reconstruct, enlarge, furnish, equip, maintain, repair, sell, exchange, lease or rent to or from, operate, manage, or contract for the operation of management of the port authority facilities as defined in the Ohio Revised Code. The Port Authority is governed by a five member board of directors consisting of two members appointed by the Marion County Commissioners, two members appointed by the City of Marion, and one joint appointee. Each participant's ability to influence the operations of the Port Authority is limited to its representation on the board. Financial information can be obtained from the Marion Port Authority, 205 West Center Street, Marion, Ohio 43302.

C. Marion Energy Special Improvement District

The City participates in the Marion Energy Special Improvement District, Inc. (ESID), a 501(c)(3) not-for-profit corporation established under Chapter 1710 of the Ohio Revised Code. The ESID was created to encourage property owners to undertake special energy improvement projects. The ESID is governed by at least three representatives of one or more property owners who have voluntarily included their properties in the ESID, one representative appointed by the City Council, and one representative appointed by the Mayor. Financial information can be obtained from the Marion Energy Special Improvement District, 233 West Center Street, Marion, Ohio 43302.

NOTE 24 - CONTINGENT LIABILITIES

A. Litigation

The City of Marion is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2020, to December 31, 2020, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Marion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 25 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The City investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that may be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

City of Marion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional
 Last Seven Years (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.05548700%	0.05575500%	0.05490600%	0.05530600%
City's Proportionate Share of the Net Pension Liability	\$10,967,382	\$15,270,166	\$8,613,687	\$12,559,051
City's Covered Payroll	\$7,807,014	\$7,530,636	\$7,255,854	\$7,138,608
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	140.48%	202.77%	118.71%	175.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.05679900%	0.05233800%	0.05233800%
\$9,838,302	\$6,312,547	\$6,169,968
\$7,060,707	\$6,416,733	\$6,289,238
139.34%	98.38%	98.10%
81.08%	86.45%	86.36%

This Page Intentionally Left Blank

City of Marion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Asset
 Ohio Public Employees Retirement System - Combined
 Last Three Years (1)

	2020	2019	2018
City's Proportion of the Net Pension Asset	0.04377900%	0.03393100%	0.03145600%
City's Proportionate Share of the Net Pension Asset	\$91,291	\$37,942	\$42,822
City's Covered Payroll	\$194,886	\$145,121	\$128,831
City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	-46.84%	-26.15%	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	145.28%	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented as of the City's measurement date which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

City of Marion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Seven Years (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.32932160%	0.32605000%	0.32692100%	0.32190500%
City's Proportionate Share of the Net Pension Liability	\$22,184,862	\$26,614,295	\$20,064,617	\$20,389,140
City's Covered Payroll	\$7,775,799	\$7,367,840	\$7,136,374	\$6,901,362
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	285.31%	361.22%	281.16%	295.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014
0.31309600%	0.29544000%	0.29544000%
\$20,141,685	\$15,305,024	\$14,388,855
\$6,287,176	\$5,814,402	\$5,699,689
320.36%	263.23%	252.45%
66.77%	71.71%	73.00%

City of Marion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net OPEB Liability
 Ohio Public Employees Retirement System
 Last Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.05430900%	0.05387000%	0.05311000%	0.05347000%
City's Proportionate Share of the Net OPEB Liability	\$7,501,485	\$7,023,374	\$5,767,355	\$5,400,652
City's Covered Payroll	\$8,204,875	\$7,813,707	\$7,522,735	\$7,378,233
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	91.43%	89.89%	76.67%	73.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

City of Marion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net OPEB Liability
 Ohio Police and Fire Pension Fund
 Last Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.32932160%	0.32605000%	0.32692100%	0.32190500%
City's Proportionate Share of the Net OPEB Liability	\$3,252,949	\$2,969,185	\$18,522,886	\$15,280,106
City's Covered Payroll	\$7,775,799	\$7,367,840	\$7,136,374	\$6,901,362
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	41.83%	40.30%	259.56%	221.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accompanying Notes to the Required Supplementary Information

City of Marion
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Eight Years (1) (2)

	2020	2019	2018	2017
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$1,132,270	\$1,092,982	\$1,054,289	\$943,261
Contributions in Relation to the Contractually Required Contribution	<u>(1,132,270)</u>	<u>(1,092,982)</u>	<u>(1,054,289)</u>	<u>(943,261)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$8,087,643	\$7,807,014	\$7,530,636	\$7,255,854
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net Pension Asset - Combined Plan				
Contractually Required Contribution	\$27,949	\$27,284	\$20,317	\$16,748
Contributions in Relation to the Contractually Required Contribution	<u>(27,949)</u>	<u>(27,284)</u>	<u>(20,317)</u>	<u>(16,748)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$199,636	\$194,886	\$145,121	\$128,831
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$9,307	\$8,119	\$5,518	\$79,369
Contributions in Relation to the Contractually Required Contribution	<u>(9,307)</u>	<u>(8,119)</u>	<u>(5,518)</u>	<u>(79,369)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$8,519,954	\$8,204,875	\$7,813,707	\$7,522,735
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>	<u>1.02%</u>

(1) Information prior to 2013 is not available.

(2) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(3) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$856,633	\$847,285	\$770,008	\$817,601
<u>(856,633)</u>	<u>(847,285)</u>	<u>(770,008)</u>	<u>(817,601)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,138,608	\$7,060,707	\$6,416,733	\$6,289,238
<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$12,441	\$13,243	\$9,490	\$16,907
<u>(12,441)</u>	<u>(13,243)</u>	<u>(9,490)</u>	<u>(16,907)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$103,675	\$110,358	\$79,083	\$130,054
<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$150,284			
<u>(150,284)</u>			
<u>\$0</u>			
\$7,378,233			
<u>2.04%</u>			

City of Marion
 Required Supplementary Information
 Schedule of the City's Contributions
 Ohio Police and Fire Pension Fund
 Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$1,767,093	\$1,640,371	\$1,555,451	\$1,509,035
Contributions in Relation to the Contractually Required Contribution	<u>(1,767,093)</u>	<u>(1,640,371)</u>	<u>(1,555,451)</u>	<u>(1,509,035)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$8,348,766	\$7,775,799	\$7,367,840	\$7,136,374
Contributions as a Percentage of Covered Payroll	21.17%	21.10%	21.11%	21.15%
Net OPEB Liability				
Contractually Required Contribution	\$41,744	\$38,879	\$36,840	\$35,682
Contributions in Relation to the Contractually Required Contribution	<u>(41,744)</u>	<u>(38,879)</u>	<u>(36,840)</u>	<u>(35,682)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$8,348,766	\$7,775,799	\$7,367,840	\$7,136,374
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

Note: The City's Covered payroll is the same for pension and OPEB.

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$1,456,886	\$1,335,461	\$1,236,397	\$1,031,887	\$828,535	\$965,813
<u>(1,456,886)</u>	<u>(1,335,461)</u>	<u>(1,236,397)</u>	<u>(1,031,887)</u>	<u>(828,535)</u>	<u>(965,813)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,901,362	\$6,287,176	\$5,814,402	\$5,699,689	\$5,496,253	\$6,487,763
21.11%	21.24%	21.26%	18.10%	15.07%	14.89%
\$34,507	\$31,436	\$29,072	\$206,139	\$370,997	\$437,924
<u>(34,507)</u>	<u>(31,436)</u>	<u>(29,072)</u>	<u>(206,139)</u>	<u>(370,997)</u>	<u>(437,924)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,901,362	\$6,287,176	\$5,814,402	\$5,699,689	\$5,496,253	\$6,487,763
0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

City of Marion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions - OPERS Pension - Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below.

	2019	2018 and 2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA			
Pre-January 7, 2013	3 percent simple	3 percent simple	3 percent simple
Post-January 7, 2013	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age

The assumptions related to COLA and Ad Hoc COLA for post-January 7, 2013, retirees are as follows.

2020	1.4 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3 percent simple through 2019, then 2.15 percent simple
2016 and prior	3 percent simple through 2018, then 2.8 percent simple

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions - OPERS Pension - Combined Plan

For 2020, the combined plan had the same change in COLA or Ad Hoc COLA for post-January 7, 2013, retirees as the traditional plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

City of Marion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions - OPF Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OPF in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in 2017 and prior are presented below.

	<u>Beginning in 2018</u>	<u>2017 and Prior</u>
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	individual entry age	individual entry age
Investment Rate of Return	8 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	inflation rate of 2.75 percent plus productivity increase rate of .5 percent	inflation rate of 3.25 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increase based on the lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increase based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Amounts reported beginning in 2018 use valuation, mortality for disabled participants was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP-2000 Combined Table age adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis with a base year of 2009 using Mortality Improvement Scale AA.

City of Marion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions - OPERS OPEB

Investment Return Assumption	
Beginning in 2019	6 percent
2018	6.5 percent
Municipal Bond Rate	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate	
2020	10.5 percent initial 3.5 percent ultimate in 2030
2019	10 percent initial 3.25 percent ultimate in 2029
2018	7.5 percent initial 3.25 percent ultimate in 2028

Changes in Assumptions - OPF OPEB

Single Discount Rate	
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms - OPF OPEB

For 2019, OPF recognized a change in benefit terms. Under the new model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This model replaced the self-insured health care plan used in prior years.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Development Services Agency</i>			
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	A-X-18-2CI-1	\$ 488,433
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	A-F-19-2CI-1	38,276
Total Community Development Grants / State's Program and Non-Entitlement Grants in Hawaii			<u>526,709</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>526,709</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
COVID-19 Coronavirus Emergency Supplemental Funding Program (Direct)	16.034	N/A	23,447
Drug Court Discretionary Grant Program (Direct)	16.585	N/A	77,526
Edward Byrne Memorial Justice Assistance Grant Program (Direct)	16.738	N/A	3,967
<i>Passed Through Ohio Department of Public Safety / Ohio Office of Criminal Justice Services</i> Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-JG-B01-6412	4,324
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>109,264</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Airport Improvement Program (Direct)	20.106	N/A	574,308
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	110-RPTF-20-0100	110,565
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	20.509	110-CARE-20-0100	442,461
Total Formula Grants for Rural Areas and Tribal Transit Program			<u>553,026</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,127,334</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
COVID-19 Coronavirus Relief Fund (Direct)	21.019	N/A	2,629,360
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>2,629,360</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio District 5 Area Agency on Aging</i>			
Aging Cluster:			
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	42,292
National Family Caregiver Support, Title III, Part E	93.052	N/A	2,781
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>45,073</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Staffing for Adequate Fire and Emergency Response (Direct)	97.083	N/A	148,863
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>148,863</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,586,603</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF MARION
MARION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Marion (the City) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting, except expenditures reported for the Formula Grant for Rural Areas (CFDA #20.509) are presented on an accrual basis. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAD CASH BALANCE

The City of Marion has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Development Services Agency. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirement imposed by HUD as the initial loans. These loans are collateralized by mortgages on the property. The current cash balance on the City's Local Program Income Account as of December 31, 2020 is \$56,795.

NOTE E – MATCHING REQUIREMENTS

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

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

City of Marion
Marion County
233 W. Center Street
Marion, Ohio 43302

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Marion County, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 25, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 through 2020-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-002 through 2020-004.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the City's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 25, 2022

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Marion
Marion County
233 W. Center Street
Marion, Ohio 43302

To the City Council:

Report on Compliance for the Major Federal Programs

We have audited the City of Marion's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Marion's major federal programs for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Marion complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 25, 2022

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL # 20.509 – Formula Grants for Rural Areas and Tribal Transit Program AL # 21.019 – Coronavirus Relief Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)**

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

FINDING NUMBER 2020-001

**Bank-To-Book Reconciliations
Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer and Auditor are responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

The following deficiencies were noted during 2020:

- The City did not reconcile the book (fund) balance to the total bank balance on a monthly basis.
- The December 31, 2020 reconciliation was unreconciled by \$314,347, with the book balance being greater than the bank balance due to the lack of monthly bank-to-book reconciliations and the complexity of the City's accounting software (i.e. hybrid cash/accrual basis).
- The December 31, 2020 reconciliation included an unsupported deposit in transit item in the amount of \$47,462.

Failure to reconcile monthly increases the possibility that the City will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The City should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: See Corrective Action Plan

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)**

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

FINDING NUMBER 2020-002

**Appropriations Exceed Estimated Resources
Material Weakness and Noncompliance**

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2020 the City's appropriations exceeded the amount certified as available by the budget commission as follows:

Fund	Estimated Resources	Appropriations	Variance
Street Construction, Maint., and Repair	\$3,392,712	\$3,468,568	(\$75,856)
Police, Dispatch, and Fire Income Tax	15,211,351	15,524,925	(313,574)
Municipal Court Docket Specialist	71,843	76,339	(4,496)
ADAMH Grant	42,933	69,442	(26,509)
Critical Infrastructure Grant	501,700	537,500	(35,800)
CDBG	94	202,000	(201,906)
Capital Improvement	763,489	1,501,379	(737,890)
Airport Improvement	724,805	1,104,115	(379,310)
Sewer	16,663,841	27,741,900	(11,078,059)
Central Garage	1,238,875	1,424,773	(185,898)

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the City's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The City should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the City should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the City Council to reduce the appropriations.

Officials' Response: See Corrective Action Plan

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)**

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

FINDING NUMBER 2020-003

**Expenditures Exceed Appropriations
Material Weakness and Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the City had expenditures in excess of appropriations as of December 31, 2020 as follows:

Fund	Program/Department/Object	Appropriations	Expenditures	Variance
Street Construction, Maintenance, and Repair	Transportation-Other / Streets / Contractual Services	\$810,130	\$1,347,932	(\$537,802)
Police, Dispatch, and Fire Income Tax	Security of Persons and Property-Police / Police Department / Capital Outlay	20,450	159,045	(138,595)
Police, Dispatch, and Fire Income Tax	Security of Persons and Property-Fire / Fire Department / Capital Outlay	0	238,164	(238,164)
Municipal Motor Vehicle License	Transportation-Other / Streets / Contractual Services	195,000	385,109	(190,109)
Police and Fire Pension	Security of Persons and Property-Fire / Fire Department / Contractual Services	5,300	6,411	(1,111)
Tax Incremental Financing	Transfers-Out	109,869	203,490	(93,621)
Airport Improvement	Transportation-Other / Airport / Contractual Services	37,883	59,149	(21,266)
Airport Improvement	Transportation-Other / Airport / Capital Outlay	1,066,232	1,095,665	(29,433)
Sewer	Principal Retirement	2,058,232	2,098,367	(40,135)
Storm Water	Interest Expense	403,816	407,491	(3,675)

Additionally, the City erroneously remitted 3rd and 4th quarter 2020 Federal tax withholdings to the Ohio Department of Taxation rather than the Internal Revenue Service. Correcting payments were made to the Internal Revenue Service on February 9, 2021 in the amount of \$1,184,754 and subsequently posted to the City accounting system on November 10, 2021. The City did not appropriate for these correcting payments until November 8, 2021, nine months after the expenditure was made.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The City Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the City Auditor should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response: See Corrective Action Plan

CITY OF MARION
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2020-004

**Finding for Recovery
Noncompliance**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The law requires that employers withhold income and wage taxes from employees’ paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees’ share of FICA taxes and individual income taxes. See **26 U.S.C. 3102(a) and 3402(a)**. Those withholdings are considered to be held in “a special fund in trust for the United States.” **26 U.S.C. 7501(a)**. The employer is liable for the withheld portion of the employee’s wages and must pay over the full amount to the government each quarter. See **United States v. Farr, 536 F.3d 1174, 1176 (10th Circ. 2008)** (citing **26 U.S.C. § 3403**).

Robert Landon III was elected to the position of City Auditor for the City of Marion, Marion County beginning his term on January 1, 2020. As City Auditor, Mr. Landon was responsible for withholding and remitting the required income taxes from employee earnings. During his term in office, Mr. Landon withheld, as required, amounts for federal income taxes. However, beginning in June 2020, the City erroneously remitted the federal income taxes to the state. The error was not identified and corrected in the system until January 2021. As a result, the City incurred \$154,399 in late fee penalties and interest, which were paid by the City in October 2021 after Mr. Landon’s resignation. These incurred costs were unnecessary expenditures that did not serve a proper public purpose.

In accordance with the foregoing facts and authorities, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended for penalties and interest incurred from untimely submission of withholding contributions to the federal government is hereby issued against Robert Landon III and his bonding company, Auto-Owners (Mutual) Insurance, in the amount of \$154,399 and in favor of the City of Marion’s General fund.

The City should improve its internal control procedures over withholding remittances and related procedures to help ensure errors are identified in a timely manner.

Officials’ Response: See Corrective Action Plan

CITY OF MARION
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS or Single Audit Compliance and Controls reports.

FINDING NUMBER 2020-005

**Finding for Recovery – Resolved
Noncompliance**

The “Vacation” section under the “Leaves and Absences” chapter of the Marion County Municipal Court Employee Handbook, which outlines the entity’s policies, provides that employees working with the Court for less than one year are not entitled to vacation payment at time of separation.

Former Marion Municipal Court employee Alexander Bailey, who was both hired by and separated from the City during 2020, erroneously received a vacation leave payout at separation in the amount of \$541 contrary to the Marion County Municipal Court Employee Handbook’s policy. No supporting rationale for this payment, which was contrary to the Marion Municipal Court’s policies, was documented or provided.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former employee, Alexander Bailey, as well as former City Auditor, Robert Landon III and his bonding company, Auto-Owners (Mutual) Insurance, in the amount of \$541, in favor of the City’s General Fund.

On May 6, 2022, Alexander Bailey entered into a repayment plan with the City for the \$541 amount. Per the reached agreement, there will be \$10.00 (as well as \$11.95 for the final payment) payments from Mr. Bailey on the 3rd and 18th of each month, starting May 18, 2022 and ending August 3, 2024. As a result of this agreed-upon repayment plan, the Finding for Recovery has been resolved under audit.

Officials’ Response: See Corrective Action Plan

FINDING 2020-006

**Finding for Recovery
Noncompliance**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

CITY OF MARION
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)

4. OTHER – FINDINGS FOR RECOVERY (Continued)

FINDING 2020-006 (Continued)

**Finding for Recovery
Noncompliance**

26 CFR § 31.6051-2 provides that every employer who is required to make a return of tax for a calendar year or any period therein shall file the Social Security Administration copy of each Form W-2. The deadline for such filing is January 31st of the year succeeding such calendar year.

Additionally, **26 CFR § 31.6071(a)-1(a)(3)** provides that, as a general rule, each information return in respect of income tax withheld from wages as required under § 31.6051-2 must be filed on or before January 31 of the year following the calendar year for which it is made.

Further, per **26 U.S.C. § 6071**, forms W-2 and W-3 and any returns or statements required by the Secretary to report nonemployee compensation shall be filed on or before January 31 of the year following the calendar year to which such returns relate.

Lastly, **26 CFR 301.6721-1** provides that a penalty of \$50 is imposed for each information return (such as Forms W-2) with respect to which a failure, such as filing after the required filing date, occurs.

Kelly Carr was elected to the position of City Auditor for the City of Marion, Marion County beginning her most recent term on January 1, 2016. As City Auditor, Ms. Carr was responsible for remitting information returns (such as W-2s and 1099s) to the appropriate agencies by the required deadline(s). During her term in office, the City Auditor's Office filed the 2018 information returns on February 20, 2019, which was after the January 31st filing deadline, thus incurring a \$50 penalty on each of the City's 450 returns for a total of \$22,500 in penalties from the Internal Revenue Service (IRS). The City received notice of these penalties and remitted payment to the IRS in November 2020. These incurred costs were unnecessary expenditures that did not serve a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kelly Carr and her bonding company, Auto-Owners Insurance, in the amount of \$22,500, and in favor of the City of Marion's General Fund.

Officials' Response: We did not receive a response from Officials to this finding.

THIS PAGE INTENTIONALLY LEFT BLANK



233 W. CENTER ST.
MARION, OH 43302

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Equipment and Real Property Management	Corrective Action Taken and Finding is Fully Corrected	

MIRANDA MEGINNESS
AUDITOR
740.383.4516

JENNIFER TRENT
DEPUTY AUDITOR
740.383.5472

MARDEN WATTS
DEPUTY AUDITOR
740.383.4636

THIS PAGE INTENTIONALLY LEFT BLANK



233 W. CENTER ST.
MARION, OH 43302

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2020

- Finding Number:** 2020-001
Planned Corrective Action: The City of Marion will be implementing a monthly practice of bank-to-book reconciliations, beginning with January 2020. The reconciliations will be completed by August 31, 2022.
Anticipated Completion Date: August 31, 2022
Responsible Contact Person: Jennifer Trent, Deputy Auditor and Miranda Meginness, City Auditor
- Finding Number:** 2020-002
Planned Corrective Action: The City of Marion will be implementing a monthly comparison of the appropriations done to the estimated resources available and limit appropriations as necessary.
Anticipated Completion Date: December 31, 2022
Responsible Contact Person: Marden Watts, Deputy Auditor and Miranda Meginness, City Auditor
- Finding Number:** 2020-003
Planned Corrective Action: The City of Marion will be implementing a monthly budget review of every department, and make necessary appropriations at the end of the fiscal year to cover additional expenditures.
Anticipated Completion Date: December 31, 2022
Responsible Contact Person: Marden Watts, Deputy Auditor and Miranda Meginness, City Auditor
- Finding Number:** 2020-004
Planned Corrective Action: The City of Marion will await the results of the abatement requests filed by the law firm Vorys, Sater, Seymour and Pease LLP for the late fee penalties and interest paid. Once completed, the State will be notified of any remaining balance of late fee penalties and interest.
Anticipated Completion Date: June 30, 2022
Responsible Contact Person: Miranda Meginness, City Auditor
- Finding Number:** 2020-005
Planned Corrective Action: The City of Marion has notified Alexander Bailey of the overpayment and set up a repayment plan to be carried out from May 18, 2022-August 3, 2024.
Anticipated Completion Date: August 3, 2024
Responsible Contact Person: Miranda Meginness, City Auditor

MIRANDA MEGINNESS
AUDITOR
740.383.4516

JENNIFER TRENT
DEPUTY AUDITOR
740.383.5472

MARDEN WATTS
DEPUTY AUDITOR
740.383.4636

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE KEITH FABER



CITY OF MARION

MARION COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 6/2/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov