



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF MARION
MARION COUNTY
DECEMBER 31, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position-Cash basis	5
Statement of Activities-Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	7
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities- Cash Basis.....	8
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances- Cash Basis- Governmental Funds	9
Reconciliation of the Statement of Receipts, Disbursements, and Changes in Fund Balance of Governmental Funds to Statement of Activities-Cash Basis	10
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual	
General Fund.....	11
Street Construction, Maintenance, and Repair Fund	12
Police Fund.....	13
Fire Fund.....	14
American Rescue Plan Fund	15
Statement of Fund Net Position -Cash Basis- Proprietary Funds.....	16
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Net Position- Cash Basis- Proprietary Funds	17
Statement of Fiduciary Net Position – Cash Basis- Custodial Funds	18
Statement of Changes in Fiduciary Net Position – Cash Basis Custodial Funds	19
Notes to the Basic Financial Statements.....	20

**CITY OF MARION
MARION COUNTY
DECEMBER 31, 2021**

**TABLE OF CONTENTS
(Continued)**

<u>TITLE</u>	<u>PAGE</u>
Schedule of Expenditures of Federal Awards	69
Notes to the Schedule of Expenditures of Federal Awards	70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	71
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.....	73
Schedule of Findings.....	77
Prepared by Management:	
Summary Schedule of Prior Audit Findings	87
Corrective Action Plan.....	89

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Marion
Marion County
233 W. Center Street
Marion, Ohio 43301

To the City Council:

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the cash-basis financial statements of the governmental activities, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Qualified
Street Construction Maintenance and Repair Fund	Qualified
Police Fund	Qualified
Fire Fund	Qualified
American Rescue Plan Fund	Unmodified
Tax Increment Financing Fund	Unmodified
Sanitary Sewer Fund	Qualified
Sanitation Fund	Qualified
Storm Water Fund	Qualified
Landfill Fund	Unmodified
Aquatic Center Fund	Qualified
Aggregate Remaining Fund Information	Qualified

Qualified Opinions On Governmental Activities, Business-Type Activities, General Fund, Street Construction Maintenance and Repair Fund, Police Fund, Fire Fund, Sanitary Sewer Fund, Sanitation Fund, Storm Water Fund, Aquatic Center Fund and the aggregate remaining fund information

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of the report the accompanying financial statements referred to above present fairly, in all material respects, the cash financial position of governmental activities, business-type activities, General Fund, Street Construction Maintenance and Repair Fund, Police Fund, Fire Fund, Sanitary Sewer Fund, Sanitation Fund, Storm Water Fund, Aquatic Center Fund, and the aggregate remaining fund information, of the City of Marion, Marion, Ohio, as of December 31, 2021, and the changes in cash-basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 2..

Unmodified Opinions on American Rescue Plan Fund, Tax Increment Financing Fund and Landfill Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the American Resue Plan, Tax Increment Financing and Landfill funds of the City of Marion, Marion County, as of December 31, 2021, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the American Rescue Plan fund for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Qualified Opinions On Governmental Activities, Business-Type Activities, General Fund, Street Construction Maintenance and Repair Fund, Police Fund, Fire Fund, Sanitary Sewer Fund, Sanitation Fund, Storm Water Fund, Aquatic Center Fund and aggregate remaining fund information

Significant unsupported differences between the cash and cash equivalents reported on the December 31, 2020 financial statements and the beginning of year cash financial position reported on the December 31, 2021 cash-basis financial statements were identified for the Governmental Activities (\$476,417), Business-Type Activities (\$158,931), General Fund (\$100,226), Street Construction Maintenance and Repair Fund (\$33,105), Police Fund (\$163,649,) Fire Fund (\$135,137), Sanitary Sewer Fund (\$123,683), Sanitation Fund (\$30,030), Storm Water Fund (\$4,749), Aquatic Center Fund (\$469) and aggregate remaining fund information (\$44,300). As a result, there is not sufficient appropriate audit evidence to support the end of year cash financial position as of December 31, 2021 in the previously stated activities and funds.

Emphasis of Matters

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Financial Presentation

As discussed in Note 3 to the financial statements, during 2021, the City has elected to change its financial presentation to a cash basis of accounting comparable to the requirements of *Governmental Accounting Standards*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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
Ohio Auditor of State



Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

October 15, 2025

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2021**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in Pooled cash and cash equivalents	\$ 13,108,380	\$ 2,486,246	\$ 15,594,626
Total assets	<u>13,108,380</u>	<u>2,486,246</u>	<u>15,594,626</u>
Net position:			
Restricted for:			
Capital projects	3,206,695	-	3,206,695
Economic development	115,821	-	115,821
Street maintenance and construction	740,068	-	740,068
Court activities	1,482,928	-	1,482,928
Senior citizen activities	328,310	-	328,310
Other purposes	2,734,429	-	2,734,429
Unrestricted	4,500,129	2,486,246	6,986,375
Total net position	<u>\$ 13,108,380</u>	<u>\$ 2,486,246</u>	<u>\$ 15,594,626</u>

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

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Cash Receipts						Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position		
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
							Operating Grants, Contributions and Interest	Governmental Activities	Business-type Activities
Governmental Activities									
General Government:									
Legislative and executive	\$ 3,858,608	\$ 392,118	\$ 1,880,391	\$ -	\$ (1,586,099)	\$ -	\$ -	\$ (1,586,099)	
Judicial	2,086,318	999,039	519,602	-	(567,677)	-	-	(567,677)	
Security of persons and property:									
Police	8,807,539	97,102	88,362	-	(8,622,075)	-	-	(8,622,075)	
Fire	7,836,437	1,189,397	216,022	-	(6,431,018)	-	-	(6,431,018)	
Other	269,555	-	-	-	(269,555)	-	-	(269,555)	
Public Health	338,919	-	-	-	(338,919)	-	-	(338,919)	
Leisure time activities	1,623,655	42,777	157,645	-	(1,423,233)	-	-	(1,423,233)	
Community environment	383,573	102,643	1,641	156,224	(123,065)	-	-	(123,065)	
Transportation:									
Street maintenance and repair	4,044,331	40,450	1,815,158	-	(2,188,723)	-	-	(2,188,723)	
Transportation	993,017	75,523	878,392	-	(39,102)	-	-	(39,102)	
Airport	313,471	148,413	-	1,087,136	922,078	-	-	922,078	
Capital outlay	1,267,672	-	-	-	(1,267,672)	-	-	(1,267,672)	
Debt service:									
Principal retirement	241,541	-	-	-	(241,541)	-	-	(241,541)	
Interest and fiscal charges	67,385	-	-	-	(67,385)	-	-	(67,385)	
Total governmental activities	<u>32,132,021</u>	<u>3,087,462</u>	<u>5,557,213</u>	<u>1,243,360</u>	<u>(22,243,986)</u>	<u>-</u>	<u>-</u>	<u>(22,243,986)</u>	
Business-type Activities									
Sanitary sewer	19,452,081	7,825,583	-	400,000	-	(11,226,498)	-	(11,226,498)	
Sanitation	2,900,161	2,725,462	-	-	-	(174,699)	-	(174,699)	
Storm water	2,331,645	2,019,744	-	234,680	-	(77,221)	-	(77,221)	
Landfill	168,819	128,406	-	-	-	(40,413)	-	(40,413)	
Aquatics center	538,600	68,770	-	-	-	(469,830)	-	(469,830)	
Total business-type activities	<u>25,391,306</u>	<u>12,767,965</u>	<u>-</u>	<u>634,680</u>	<u>-</u>	<u>(11,988,661)</u>	<u>-</u>	<u>(11,988,661)</u>	
Total Activity	<u><u>\$ 57,523,327</u></u>	<u><u>\$ 15,855,427</u></u>	<u><u>\$ 5,557,213</u></u>	<u><u>\$ 1,878,040</u></u>	<u><u>(22,243,986)</u></u>	<u><u>(11,988,661)</u></u>	<u><u>-</u></u>	<u><u>(34,232,647)</u></u>	
General Receipts									
Property Taxes					1,406,098	-	-	1,406,098	
Income Taxes					19,387,564	-	-	19,387,564	
Other Taxes					301,074	-	-	301,074	
Payments in lieu of taxes					302,991	-	-	302,991	
Grants and entitlements not restricted for specific purposes					1,269,081	-	-	1,269,081	
Investment income					(43,891)	-	-	(43,891)	
Miscellaneous					1,207,628	465,446	-	1,673,074	
Proceeds of OWDA loans					-	10,872,357	-	10,872,357	
Proceeds of OPWC loans					-	207,847	-	207,847	
Proceeds from Sale of Capital Assets					285,456	-	-	285,456	
Total general receipts					<u>24,116,001</u>	<u>11,545,650</u>	<u>-</u>	<u>35,661,651</u>	
Transfers					<u>6,410</u>	<u>(6,410)</u>	<u>-</u>	<u>-</u>	
Increase/(decrease) in net position					<u>1,878,425</u>	<u>(449,421)</u>	<u>-</u>	<u>1,429,004</u>	
Net position, beginning of year - Restated (Note 3)					<u>11,229,955</u>	<u>2,935,667</u>	<u>-</u>	<u>14,165,622</u>	
Net position, end of year					<u><u>\$ 13,108,380</u></u>	<u><u>\$ 2,486,246</u></u>	<u><u>\$</u></u>	<u><u>15,594,626</u></u>	

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

CITY OF MARION
MARION COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Street Construction Maintenance and Repair	Police	Fire	American Rescue Plan	Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
Assets:								
Equity in pooled cash and cash equivalents	\$ 4,071,983	\$ 347,819	\$ (138,266)	\$ (48,213)	\$ 1,879,391	\$ 2,731,678	\$ 3,873,588	\$ 12,717,980
Total assets	4,071,983	347,819	(138,266)	(48,213)	1,879,391	2,731,678	3,873,588	12,717,980
Fund Balances:								
Restricted for:								
Street maintenance and construction	-	347,819	-	-	-	-	392,249	740,068
Economic development	-	-	-	-	-	-	115,821	115,821
Senior citizen activities	-	-	-	-	-	-	328,310	328,310
Fire and EMS services	-	-	-	-	-	-	178,399	178,399
Capital improvements	-	-	-	-	-	2,731,678	167,824	2,899,502
Transit operations	-	-	-	-	-	-	121,606	121,606
Police and fire pension	-	-	-	-	-	-	45,929	45,929
Airport improvements	-	-	-	-	-	-	307,193	307,193
Court activities	-	-	-	-	-	-	1,482,928	1,482,928
Railroad crossing improvements	-	-	-	-	-	-	64,125	64,125
Police services	-	-	-	-	-	-	260,870	260,870
Youth activities	-	-	-	-	-	-	1,634	1,634
Insurance proceeds	-	-	-	-	-	-	169,724	169,724
Land bank	-	-	-	-	-	-	12,751	12,751
American rescue plan	-	-	-	-	1,879,391	-	-	1,879,391
Committed to:								
Termination benefits	1,762	-	-	-	-	-	-	1,762
Assigned to:								
Next years budget	223,920	-	-	-	-	-	-	223,920
Debt service	-	-	-	-	-	-	224,225	224,225
Airport improvements	140,741	-	-	-	-	-	-	140,741
Recreation	27,716	-	-	-	-	-	-	27,716
Underground storage tanks	11,000	-	-	-	-	-	-	11,000
Wellness program	16,396	-	-	-	-	-	-	16,396
Unassigned	3,650,448	-	(138,266)	(48,213)	-	-	-	3,463,969
Total cash fund balances	\$ 4,071,983	\$ 347,819	\$ (138,266)	\$ (48,213)	\$ 1,879,391	\$ 2,731,678	\$ 3,873,588	\$ 12,717,980

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

**CITY OF MARION
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - CASH BASIS
DECEMBER 31, 2021**

Total governmental fund balances	\$ 12,717,980
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Amounts reported for governmental activities in the statement of net position are different because:

An internal service fund is used by management to charge the cost of motor pool/vehicle maintenance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position. 390,400

Net position of governmental activities	<u><u>\$ 13,108,380</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Street Construction Maintenance and Repair	Police	Fire	American Rescue Plan	Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
Cash Receipts:								
Property taxes	\$ 1,187,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,153	\$ 1,406,098
Income taxes	8,733,181	1,696,640	3,631,069	4,601,444	-	-	725,230	19,387,564
Other local taxes	-	-	-	-	-	-	\$ 301,074	301,074
Payments in lieu of taxes	-	-	-	-	-	302,991	-	302,991
Charges for services	1,477,747	3,850	-	20,039	-	-	75,523	1,577,159
Licenses and permits	401,907	36,600	-	-	-	-	-	438,507
Fines and forfeitures	692,790	-	-	-	-	-	379,006	1,071,796
Intergovernmental	1,181,492	1,814,951	-	-	1,879,391	-	3,117,168	7,993,002
Interest on investments	(42,333)	(186)	-	-	-	-	930	(41,589)
Other	514,071	142,208	325,196	42,842	-	-	257,661	1,281,978
Total receipts	14,146,800	3,694,063	3,956,265	4,664,325	1,879,391	302,991	5,074,745	33,718,580
Cash Disbursements:								
General Government:								
Legislative and executive	3,730,054	-	-	-	-	-	128,554	3,858,608
Judicial	1,383,810	-	-	-	-	-	702,508	2,086,318
Security of persons and property:								
Police	40	-	8,076,305	-	-	-	731,194	8,807,539
Fire	-	-	-	7,629,277	-	-	207,160	7,836,437
Other	269,555	-	-	-	-	-	-	269,555
Public Health	338,919	-	-	-	-	-	-	338,919
Leisure time activities	1,433,777	-	-	-	-	-	189,878	1,623,655
Community environment	155,716	-	-	-	-	-	227,857	383,573
Transportation:								
Street maintenance and repair	-	3,268,086	-	-	-	-	607,693	3,875,779
Transportation	-	-	-	-	-	-	993,017	993,017
Airport	232,125	-	-	-	-	-	81,346	313,471
Capital outlay	-	134,308	-	-	-	-	1,133,364	1,267,672
Debt Service:								
Principal retirement	-	-	54,250	17,881	-	6,410	163,000	241,541
Interest and fiscal charges	-	-	3,499	13,611	-	-	50,275	67,385
Total cash disbursements	7,543,996	3,402,394	8,134,054	7,660,769	-	6,410	5,215,846	31,963,469
Cash receipts over (under) cash disbursements	6,602,804	291,669	(4,177,789)	(2,996,444)	1,879,391	296,581	(141,101)	1,755,111
Other Financing Sources (Uses):								
Sale of capital assets	5,665	13,576	1,122	9,481	-	-	255,612	285,456
Transfers - in	-	-	3,500,000	1,800,000	-	6,410	1,129,948	6,436,358
Transfers - (out)	(6,436,000)	-	-	-	-	(86,500)	(229,448)	(6,751,948)
Advance - in	-	-	-	-	-	-	8,000	8,000
Advance - (out)	(8,000)	-	-	-	-	-	-	(8,000)
Total Other Financing Sources (Uses)	(6,438,335)	13,576	3,501,122	1,809,481	-	(80,090)	1,164,112	(30,134)
Excess of cash receipts and other financing sources over (under) cash disbursements and other financing uses	164,469	305,245	(676,667)	(1,186,963)	1,879,391	216,491	1,023,011	1,724,977
Cash fund balances - beginning of year - Restated (Note 3)	3,907,514	42,574	538,401	1,138,750	-	2,515,187	2,850,577	10,993,003
Cash fund balances - end of year	4,071,983	347,819	(138,266)	(48,213)	\$ 1,879,391	\$ 2,731,678	\$ 3,873,588	\$ 12,717,980

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

**CITY OF MARION
MARION COUNTY**

**RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2021**

Net change in fund balances - Total governmental funds \$ 1,724,977

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

The internal service fund used by management to charge the cost-of motor pool/vehicle maintenance to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

153,448

Change in net position of governmental activities \$ 1,878,425

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

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property and other local taxes	\$ 1,148,408	\$ 1,148,408	\$ 1,187,945	\$ 39,537
Income taxes	7,555,000	7,555,000	8,733,181	1,178,181
Charges for services	1,308,182	1,308,182	1,477,747	169,565
Licenses and permits	326,109	326,109	401,907	75,798
Fines and forfeitures	778,300	778,300	692,790	(85,510)
Intergovernmental	1,395,400	1,395,400	1,181,492	(213,908)
Interest on investments	225,000	225,000	(42,333)	(267,333)
Other	208,100	208,100	514,071	305,971
Total receipts	<u>12,944,499</u>	<u>12,944,499</u>	<u>14,146,800</u>	<u>1,202,301</u>
Disbursements:				
Current:				
General Government:				
Legislative and executive	3,942,191	4,680,690	3,730,054	950,636
Judicial	1,319,054	1,338,905	1,383,810	(44,905)
Security of persons and property:				
Police	-	120	40	80
Other	297,250	297,250	269,555	27,695
Public Health	338,919	338,919	338,919	-
Leisure time activities	1,401,355	1,413,055	1,433,777	(20,722)
Community environment	275,725	275,725	155,716	120,009
Transportation:				
Airport	248,424	248,724	232,125	16,599
Total disbursements	<u>7,822,918</u>	<u>8,593,388</u>	<u>7,543,996</u>	<u>1,049,392</u>
Excess of receipts over disbursements	5,121,581	4,351,111	6,602,804	2,251,693
Other Financing Sources:				
Proceeds from sale of capital assets	-	-	5,665	5,665
Transfers In	654,503	654,503	-	(654,503)
Transfers out	(6,063,584)	(5,285,114)	(6,436,000)	(1,150,886)
Advances out	-	(8,000)	(8,000)	-
Total other financing sources	<u>(5,409,081)</u>	<u>(4,638,611)</u>	<u>(6,438,335)</u>	<u>(1,799,724)</u>
Net change in fund balance	(287,500)	(287,500)	164,469	451,969
Fund balance beginning of year	<u>3,907,514</u>	<u>3,907,514</u>	<u>3,907,514</u>	<u>-</u>
Fund balance end of year	<u>\$ 3,620,014</u>	<u>\$ 3,620,014</u>	<u>\$ 4,071,983</u>	<u>\$ 451,969</u>

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

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Income taxes	\$ 1,460,200	\$ 1,460,200	\$ 1,696,640	\$ 236,440
Charges for services	2,800	2,800	3,850	1,050
Licenses and permits	22,000	22,000	36,600	14,600
Intergovernmental	1,743,500	1,743,500	1,814,951	71,451
Interest on investments	200	200	(186)	(386)
Other	41,949	41,949	142,208	100,259
Total receipts	<u>3,270,649</u>	<u>3,270,649</u>	<u>3,694,063</u>	<u>423,414</u>
Disbursements:				
Current:				
Transportation:				
Street maintenance and repair	3,031,103	3,196,795	3,268,086	(71,291)
Capital outlay	300,000	134,308	134,308	-
Total disbursements	<u>3,331,103</u>	<u>3,331,103</u>	<u>3,402,394</u>	<u>(71,291)</u>
Excess of receipts over (under) disbursements	(60,454)	(60,454)	291,669	352,123
Other Financing Sources:				
Proceeds from sale of capital assets	-	-	13,576	13,576
Net change in fund balance	(60,454)	(60,454)	305,245	365,699
Fund balance beginning of year	42,574	42,574	42,574	-
Fund balance end of year	<u>\$ (17,880)</u>	<u>\$ (17,880)</u>	<u>\$ 347,819</u>	<u>\$ 365,699</u>

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

**CITY OF MARION
MARION COUNTY**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
POLICE FUND**
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Income taxes	\$ 3,189,000	\$ 3,189,000	\$ 3,631,069	\$ 442,069
Other	400,000	400,000	325,196	(74,804)
Total receipts	<u>3,589,000</u>	<u>3,589,000</u>	<u>3,956,265</u>	<u>367,265</u>
Disbursements:				
Current:				
Security of persons and property:				
Police	7,508,617	7,508,617	8,076,305	(567,688)
Debt Service:				
Principal retirement	54,250	54,250	54,250	-
Interest and fiscal charges	3,499	3,499	3,499	-
Total disbursements	<u>7,566,366</u>	<u>7,566,366</u>	<u>8,134,054</u>	<u>(567,688)</u>
Excess of receipts (under) disbursements	(3,977,366)	(3,977,366)	(4,177,789)	(200,423)
Other Financing Sources:				
Transfer in	3,400,000	3,400,000	3,500,000	100,000
Proceeds from sale of capital assets	-	-	1,122	1,122
Total other financing sources	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,501,122</u>	<u>101,122</u>
Net change in fund balance	(577,366)	(577,366)	(676,667)	(99,301)
Fund balance beginning of year	538,401	538,401	538,401	-
Fund balance end of year	<u>\$ (38,965)</u>	<u>\$ (38,965)</u>	<u>\$ (138,266)</u>	<u>\$ (99,301)</u>

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

**CITY OF MARION
MARION COUNTY**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
FIRE FUND**
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Income taxes	\$ 3,967,998	\$ 3,967,998	\$ 4,601,444	\$ 633,446
Charges for services	-	-	20,039	20,039
Other	36,500	36,500	42,842	6,342
Total receipts	<u>4,004,498</u>	<u>4,004,498</u>	<u>4,664,325</u>	<u>659,827</u>
Disbursements:				
Current:				
Security of persons and property:				
Fire	7,003,539	7,003,539	7,629,277	(625,738)
Debt Service:				
Principal retirement	17,881	17,881	17,881	-
Interest and fiscal charges	13,611	13,611	13,611	-
Total disbursements	<u>7,035,031</u>	<u>7,035,031</u>	<u>7,660,769</u>	<u>(625,738)</u>
Excess of receipts over (under) disbursements	(3,030,533)	(3,030,533)	(2,996,444)	34,089
Other Financing Sources:				
Transfer in	1,850,000	1,850,000	1,800,000	(50,000)
Proceeds from sale of capital assets	-	-	9,481	9,481
Total other financing sources	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,809,481</u>	<u>(40,519)</u>
Net change in fund balance	(1,180,533)	(1,180,533)	(1,186,963)	(6,430)
Fund balance beginning of year	<u>1,138,750</u>	<u>1,138,750</u>	<u>1,138,750</u>	<u>-</u>
Fund balance end of year	<u>\$ (41,783)</u>	<u>\$ (41,783)</u>	<u>\$ (48,213)</u>	<u>\$ (6,430)</u>

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

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
AMERICAN RESCUE PLAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Intergovernmental	\$ 1,879,391	\$ 1,879,391	\$ 1,879,391	\$ -
Total receipts	<u>1,879,391</u>	<u>1,879,391</u>	<u>1,879,391</u>	<u>-</u>
Disbursements:				
Current:				
General Government:				
Legislative and executive	1,879,391	1,879,391	-	1,879,391
Total disbursements	<u>1,879,391</u>	<u>1,879,391</u>	<u>-</u>	<u>1,879,391</u>
Net change in fund balance	-	-	1,879,391	1,879,391
Fund balance beginning of year	-	-	-	-
Fund balance end of year	\$ -	\$ -	\$ <u>1,879,391</u>	\$ <u>1,879,391</u>

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

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Business-Type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities Internal Service
	Sanitary Sewer	Sanitation	Storm Water	Landfill	Aquatics Center		
Assets:							
Equity in pooled cash and cash equivalents	\$ 1,304,046	\$ 1,001,139	\$ (106,176)	\$ (719)	\$ 287,956	\$ 2,486,246	\$ 390,400
Total assets	<u>1,304,046</u>	<u>1,001,139</u>	<u>(106,176)</u>	<u>(719)</u>	<u>287,956</u>	<u>2,486,246</u>	<u>390,400</u>
Net Position:							
Unrestricted	1,304,046	1,001,139	(106,176)	(719)	287,956	2,486,246	390,400
Total net position	<u>1,304,046</u>	<u>1,001,139</u>	<u>(106,176)</u>	<u>(719)</u>	<u>287,956</u>	<u>2,486,246</u>	<u>390,400</u>

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

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Business-Type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities Internal Service
	Sanitary Sewer	Sanitation	Storm Water	Landfill	Aquatics Center		
Operating Cash Receipts:							
Charges for services	\$ 7,825,583	\$ 2,725,462	\$ 2,019,744	\$ 128,406	\$ 68,770	\$ 12,767,965	\$ 972,466
Other	64,900	95,831	36,575		268,140	465,446	713
Total operating cash receipts	<u>7,890,483</u>	<u>2,821,293</u>	<u>2,056,319</u>	<u>128,406</u>	<u>336,910</u>	<u>13,233,411</u>	<u>973,179</u>
Operating Cash Disbursements:							
Personal services	2,731,665	1,548,652	234,613	-	97,966	4,612,896	325,466
Contract services	1,661,337	1,112,780	157,397	122,907	55,818	3,110,239	52,771
Materials and supplies	441,101	154,015	57,461	1,405	28,511	682,493	651,409
Capital outlay	12,229,407	83,442	850,818	29,500	-	13,193,167	29,785
Other	855	1,272	278	-	-	2,405	-
Total operating cash disbursements	<u>17,064,365</u>	<u>2,900,161</u>	<u>1,300,567</u>	<u>153,812</u>	<u>182,295</u>	<u>21,601,200</u>	<u>1,059,431</u>
Operating income (loss)	(9,173,882)	(78,868)	755,752	(25,406)	154,615	(8,367,789)	(86,252)
Nonoperating Cash Receipts/(Disbursements):							
OWDA loans issued	10,872,357	-	-	-	-	10,872,357	-
OPWC loans issued	100,000	-	107,847	-	-	207,847	-
Principal retirement	(2,153,141)	-	(739,075)	(12,000)	(289,000)	(3,193,216)	(64,500)
Interest expense	(234,575)	-	(292,003)	(3,007)	(67,305)	(596,890)	(17,800)
Total nonoperating receipts/(disbursements)	<u>8,584,641</u>	<u>-</u>	<u>(923,231)</u>	<u>(15,007)</u>	<u>(356,305)</u>	<u>7,290,098</u>	<u>(82,300)</u>
Income (loss) before Contributions and Transfers	(589,241)	(78,868)	(167,479)	(40,413)	(201,690)	(1,077,691)	(168,552)
Transfers - in	-	-	-	-	-	-	322,000
Transfers - out	(2,602)	-	(3,808)	-	-	(6,410)	-
Capital Contributions	400,000	-	234,680	-	-	634,680	-
Total transfers	<u>397,398</u>	<u>-</u>	<u>230,872</u>	<u>-</u>	<u>-</u>	<u>628,270</u>	<u>322,000</u>
Changes in net position	(191,843)	(78,868)	63,393	(40,413)	(201,690)	(449,421)	153,448
Net position - beginning of year - Restated (Note 3)	1,495,889	1,080,007	(169,569)	39,694	489,646	2,935,667	236,952
Net position - end of year	<u>\$ 1,304,046</u>	<u>\$ 1,001,139</u>	<u>\$ (106,176)</u>	<u>\$ (719)</u>	<u>\$ 287,956</u>	<u>\$ 2,486,246</u>	<u>\$ 390,400</u>

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

**CITY OF MARION
MARION COUNTY**
STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
CUSTODIAL FUNDS
DECEMBER 31, 2021

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 38,346
Cash and cash equivalents in segregated accounts	59,320
Total assets	<u><u>\$ 97,666</u></u>

Net Position:	
Restricted for individuals, organizations and other governments	\$ 97,666
Total net position	<u><u>\$ 97,666</u></u>

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

**CITY OF MARION
MARION COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
CUSTODIAL FUNDS
DECEMBER 31, 2021**

	<u>Custodial</u>
Additions	
Licenses and permits and fees for other governments	\$ 1,383,558
Fines and forfeitures for other governments	1,944,488
Special assessment collections for other governments	<u>33,079</u>
 Total additions	 <u><u>\$ 3,361,125</u></u>
Deductions	
Distributions from municipal court to other governments	\$ 1,935,598
Licenses and permits and fees distributions to other governments	1,389,884
Special assessment distributions to other governments	<u>33,087</u>
 Total deductions	 <u><u>\$ 3,358,569</u></u>
Change in net position	2,556
Net position beginning of year - Restated (Note 3)	<u>95,110</u>
Net position end of year	<u><u>\$ 97,666</u></u>

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

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - DESCRIPTION OF THE CITY OF MARION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D, these basic financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis basic financial statements contain items that are the same as, or similar to, those items in the basic financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The following are the more significant of the City's accounting policies:

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". For financial reporting purposes, the City's basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed governing board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based upon the application of these criteria, the City has no component units.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 17 and 18 to the basic financial statements.

B. 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" receipts and disbursements.

The statement of net position presents the cash balance of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the City's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts 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.

C. 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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. 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 Fund - This fund accounts for a voted .875 percent income tax levy restricted to subsidizing operations of the police department.

Fire Fund - This fund accounts for a voted .875 percent income tax levy restricted to subsidizing operations of the fire department.

Tax Increment Financing Fund - This fund is paid into by property tax levies for use on infrastructure in the area named on each particular TIF.

American Rescue Plan Fund - This account accounts for and reports funding received from the federal COVID-19 grant restricted for the purpose of alleviating financial pressures.

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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

D. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The City's basic financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City's financial records and reported in the basic financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when incurred. Any such modifications made by the City are described in the appropriate section of the notes to the basic financial statements.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these basic financial statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 final amended certificate of estimated resources requested by the City prior to year end.

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 2021, investments included nonnegotiable and negotiable certificates of deposit, federal agency securities, municipal bonds, commercial paper, and mutual funds. 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 2021 was a loss of \$42,333.

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.

G. 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

Acquisitions of property, plant and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying basic financial statements.

I. Unpaid Vacation Leave and Sick Leave

Employees are entitled to cash payments for unused vacation leave and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave and sick leave are not reflected as liabilities under the basis of accounting utilized by the City.

J. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net cash position is available.

K. Interfund Activity

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Inventories of Materials and Supplies and Prepaid Items

The City reports disbursements for inventories of materials and supplies and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

N. Interfund Receivables/Payables

The City reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying basic financial statements.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

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 2022 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

P. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the City, these receipts 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 disbursements are the necessary costs incurred to provide the service that is the primary activity of the fund. All receipts and disbursements not meeting this definition are reported as nonoperating.

NOTE 3 - CHANGE IN FINANCIAL REPORTING FRAMEWORK

For 2021, the City changed from generally accepted accounting principles (GAAP) to the cash basis of accounting as described in Note 2. As a result of the change, Police and Fire funds are presented separately on the financial statements. The American Resue Plan and Tax Increment Financing Funds are new major funds for the City in 2021. The restatement due to the change in the basis of accounting had the following effect on net position/fund balances of the City as were previously reported.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position/Fund Balance at December 31, 2020	\$ 22,830,899	\$ 14,430,740
Eliminate Asset Accruals	(65,742,456)	(74,519,146)
Eliminate Liability Accruals	54,611,597	63,183,004
Unsupported City Adjustments	<u>(470,085)</u>	<u>(158,931)</u>
Adjusted Net Position/Fund Balance at December 31, 2020	<u><u>\$ 11,229,955</u></u>	<u><u>\$ 2,935,667</u></u>

	Street Construction Maintenance and Repair	Police	Fire	Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
	General					
Net Position/Fund Balance at December 31, 2020	\$ 5,473,184	\$ 263,451	\$627,326	\$1,267,818	\$ 2,515,187	\$ 2,877,137
Eliminate Asset Accruals	(5,289,448)	(1,202,779)	(713,367)	(866,606)	(302,277)	(1,352,306)
Eliminate Liability Accruals	3,824,004	1,015,007	788,091	872,675	302,277	1,363,714
Unsupported City Adjustments	<u>(100,226)</u>	<u>(33,105)</u>	<u>(163,649)</u>	<u>(135,137)</u>	<u>-</u>	<u>(37,968)</u>
Adjusted Net Position/Fund Balance at December 31, 2020	<u><u>\$ 3,907,514</u></u>	<u><u>\$ 42,574</u></u>	<u><u>\$ 538,401</u></u>	<u><u>\$ 1,138,750</u></u>	<u><u>\$ 2,515,187</u></u>	<u><u>\$ 2,850,577</u></u>

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - CHANGE IN FINANCIAL REPORTING FRAMEWORK (continued)

	Sanitary Sewer	Sanitation	Storm Water	Landfill	Aquatics	Total Enterprise Funds	Internal Service Fund	Internal Custodial
Net Position/Fund Balance								
at December 31, 2020	\$ 5,434,734	\$ 3,105,783	\$ 7,238,215	\$ (666,876)	\$ (702,350)	\$ 14,409,506	\$ 70,779	\$ 32,301
Eliminate Asset Accruals	(46,381,231)	(4,486,558)	(20,625,580)	(361,720)	(3,097,733)	(74,952,822)	(1,613,570)	(20,392)
Eliminate Liability Accruals	42,566,069	2,490,812	13,222,545	1,068,290	4,290,198	63,637,914	1,786,076	65,072
Unsupported City Adjustments	(123,683)	(30,030)	(4,749)	-	(469)	(158,931)	(6,333)	18,129
Adjusted Net Position/Fund Balance at December 31, 2020	<u>\$ 1,495,889</u>	<u>\$ 1,080,007</u>	<u>\$ (169,569)</u>	<u>\$ 39,694</u>	<u>\$ 489,646</u>	<u>\$ 2,935,667</u>	<u>\$ 236,952</u>	<u>\$ 95,110</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2021, the following funds had a deficit fund balance/net position:

Fund Type/Fund	Deficit
Parks (presented within the General Fund)	\$23,375
Police Special Revenue Fund	138,266
Fire Special Revenue Fund	48,213
Storm Water Enterprise Fund	106,176
Landfill Enterprise Fund	719

B. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

The following funds/accounts had expenditures in excess of appropriations for the year ended December 31, 2021:

Fund/Account	Excess
General Fund-General Government-Judicial	\$44,905
General Fund-Leisure Time Activities	20,722
General Fund-Transfers Out	1,150,886
Street Construction, Maintenance, and Repair Fund-Transportation-Street Maintenance and Repair	71,291
Police Fund-Security of Persons and Property-Police	567,688
Fire Fund-Security of Persons and Property-Fire	625,738

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

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - 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;

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - 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, \$253,434 of the City's bank balance of \$2,965,301 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, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments

Investments are reported at fair value. As of December 31, 2021, the City had the following investments:

	Measurement Amount	Less Than Six Months	Six Months to One Year	One Year to Two Years	More Than Two Years
Fair Value - Level One Inputs					
Mutual Funds	\$61,224	\$61,224	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	3,782,486	756,110	249,947	744,007	2,032,422
Federal Farm Credit Bank Notes	1,475,815	0	0	0	1,475,815
Federal Home Loan Bank Notes	3,908,145	0	0	0	3,908,145
Municipal Bonds	2,305,574	0	2,305,574	0	0
Federal Home Loan Mortgage Corporation Notes	244,637	0	0	0	244,637
Total Fair Value - Level Two Inputs	11,716,657	756,110	2,555,521	744,007	7,661,019
Amortized Cost Commercial Paper	1,998,020	0	1,998,020	0	0
Total Investments	\$13,775,901	\$817,334	\$4,553,541	\$744,007	\$7,661,019

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.

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 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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	3,782,486	27.46%
Federal Farm Credit Bank	1,475,815	10.71
Federal Home Loan Bank	3,908,145	28.37
Federal Home Loan Mortgage Corporation	244,637	1.78
Municipal Bonds	2,305,574	16.74
Commercial Paper	1,998,020	14.50
Mutual Funds	61,224	0.44

NOTE 6 - 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.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax receipts received in 2021 represent the collection of 2020 taxes. Real property taxes received in 2021 were levied after October 1, 2020, on the assessed values as of January 1, 2020, 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 receipts received in 2021 represent the collection of 2020 taxes. Public utility real and tangible personal property taxes received in 2021 became a lien on December 31, 2019, were levied after October 1, 2020, 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 – PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2021, was \$4.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2021 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$292,239,070
Commercial/Industrial	89,650,720
Public Utility Real	217,220
Public Utility Personal	37,930,930
Total	<hr/> \$420,037,940

NOTE 8 - 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 9 - 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 2021, 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 – RISK MANAGEMENT (continued)

For 2021, 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 10 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability (Asset)/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions and 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 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

GASB 68/75 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 30 years. If the pension amortization period exceeds 30 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 net pension liability (asset) and net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

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, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety 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.):

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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
<p>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.</p> <p>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 cost-of-living-adjustment.</p> <p>When a traditional plan benefit recipient has received benefits for 12 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 retiring prior to January 7, 2013, current law provides for a 3% COLA. 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 3.00%.</p>		

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - 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 Pension 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.

	<u>State and Local</u>
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 Actual Contribution Rates	
Employer	
Pension	14.0 %
Postemployment Health Care Benefits **	0.0
	<hr/>
Total Employer	14.0 %
	<hr/>
Total Employee	10.0 %
	<hr/>

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

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.0%.

For 2021, the City's contractually required contribution was \$1,094,112 for the traditional plan, \$27,948 for the combined plan, and \$23,266 for the member-directed plan.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Police and Fire Pension Fund (OP&F)

Plan Description - Full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information, required supplementary information, and detailed information about OP&F's fiduciary net position that may be obtained by visiting the OP&F 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 OP&F member may retire and receive a lifetime monthly pension. OP&F 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 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 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% for each of the first 20 years of service credit, 2% for each of the next 5 years of service credit, and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit. (See OP&F 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 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost of living allowance adjustment. The age 55 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.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2021 Actual Contribution Rates		
Employer		
Pension	19.00 %	23.50 %
Postemployment Health Care Benefits	.50	.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Total Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,899,567 for 2021.

Net Pension Liabilities (Assets)

The net pension liability (asset) for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. 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. Following is information related to the proportionate share and pension expense.

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset				
Current Measurement Date	0.05742200%	0.04530000%	0.34090640%	
Prior Measurement Date	<u>0.05548700%</u>	<u>0.04377900%</u>	<u>0.32932160%</u>	
Change in Proportionate Share	<u>0.00193500%</u>	<u>0.00152100%</u>	<u>0.01158480%</u>	
Proportionate Share				
Net Pension Liability	\$8,502,948	\$0	\$23,239,895	\$31,742,843
Net Pension Asset	\$0	\$130,765	\$0	\$130,765

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2020, 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, 2020, are presented below.

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25%	3.25%
Future Salary Increases, including inflation	3.25% to 10.75% including wage inflation	3.25% to 8.25% including wage inflation
COLA or Ad Hoc COLA		
Pre-January 7, 2013	3% simple	3% simple
Post-January 7, 2013	0.5% simple through 2021, then 2.15% simple	3% simple through 2021, then 2.15% simple
Investment Rate of Return	7.2%	7.2%
Actuarial Cost Method	individual entry age	individual entry age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7,2013 retirees, changing it from 1.4% simple through 2020, then 2.15% simple to 0.5% simple through 2021, than 2.15% simple.

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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

During 2020, 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 Pension 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 disbursements and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 11.7% for 2020.

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 weighing 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.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	19.00	4.75
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability (asset) was 7.2%, post-experience study results, for the Traditional Pension Plan, the Combined Plan, and Member-Directed Plan. The discount rate used to measure the total pension liability prior to December 31, 2020 was 7.2%. 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 (asset).

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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% 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%) or one percentage point higher (8.2%) 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	\$16,219,418	\$8,502,948	\$2,086,715
OPERS Combined Plan	(\$91,053)	(\$130,765)	(\$160,352)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F'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 modifications 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.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	entry age normal (level percent of payroll)
Investment Rate of Return	8 percent
Projected Salary Increases	3.75% to 10.5%
Payroll Growth	3.25 % per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.5%
Cost of Living Adjustments	2.2% per year simple

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables 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%.

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.

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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equities	21.00	4.10
Non-U.S. Equities	14.00	6.40
Private Markets	8.00	6.40
Core Fixed Income*	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Mainstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	8.50
Gold	5.00	1.90
Private Real Estate	12.00	5.30
 Total	 125.00 %	

Note: assumptions are geometric

* levered 2x

** - numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 1.25 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%. 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%. 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, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - 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% 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%) or one percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's Proportionate Share of the Net Pension Liability	\$32,352,911	\$23,239,895	\$15,613,221

NOTE 11 - DEFINED BENEFIT OPEB PLANS

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the traditional pension 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 post-employment 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 pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

The health care 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.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 60 or generally 30 years of service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible after January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See 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.

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 plan and the combined plan..

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed 14% of earnable salary and public safety and law enforcement employers contributed 18.1%. 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 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

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 for 2021 was 4%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$9,306 for 2021.

Plan Description - Ohio Police and Fire Pension Fund (OP&F)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) 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, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses,

A retiree is eligible for the OP&F 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 OP&F. Even if an OP&F 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 OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F 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.

OP&F 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 OP&F 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 OP&F 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% and 24% of covered payroll for police and firefighters, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contribution for retiree health care benefits. For 2021, the portion of the employer contribution allocated to health care was 0.5% 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 OP&F 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 OP&F was \$44,758 for 2021.

Net OPEB Liabilities/Assets

The net OPEB liability and the total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. 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.

Following is information related to the proportionate share.

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05633600%	0.34090640%	
Prior Measurement Date	0.05430900%	0.32932160%	
Change in Proportionate Share	0.00202700%	0.01158480%	
Proportionate Share of the Net OPEB Liability		\$3,611,959	\$3,611,959
Proportionate Share of the Net OPEB Asset		(\$1,003,671)	(\$1,003,671)

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, 2019, rolled forward to the measurement date of December 31, 2020.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

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 %
Projected Salary Increases, including inflation	3.25% to 10.75% including wage inflation
Single Discount Rate:	
Current Measurement Date	6.00 %
Prior Measurement Date	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate	
Current Measurement Date	2.00%
Prior Measurement Date	2.75%
Health Care Cost Trend Rate	
Current Measurement Date	8.50% initial 3.50% ultimate in 2035
Prior Measurement Date	10.00% initial 3.50% ultimate in 2030
Actuarial Cost Method	individual entry age

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.

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.

During 2020, 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, contributions into the plans 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 10.5% for 2020.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

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 the 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.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other Investments	9.00	4.02
Total	100.00 %	

Discount Rate - A single discount rate of 6% percent was used to measure the OPEB liability on the measurement date of December 31, 2020. 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 20-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% and a municipal bond rate of 2%. 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts 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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements, however, they are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 3.96% as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (2.96%) or one percentage point higher (4.96%) than the current rate.

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's Proportionate Share of the Net OPEB Liability/(Asset)	(\$249,568)	(\$1,003,671)	(\$1,623,604)

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 2021 is 8.5%. 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% in the most recent valuation.

	Current Health Care Cost Trend Rate Assumption	
	1% Decrease	1% Increase
City's Proportionate Share of the Net OPEB Liability/(Asset)	(\$1,028,132)	(\$1,003,671) (\$976,302)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F'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 modifications as actual results are compared with past expectations and new estimates are made about the future.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

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.

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, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	entry age normal (level percent of payroll)
Investment Rate of Return	8 percent
Projected Salary Increases	3.75% to 10.5%
Payroll Growth	3.25 % per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.5%
Cost of Living Adjustments	2.2% per year simple

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables 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, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

The long-term expected rate of return on OPEB 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 OP&F's target asset allocation as of December 31, 2020, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equities	21.00	4.10
Non-U.S. Equities	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income*	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Mainstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
 Total	 125.00 %	

Note: assumptions are geometric
 * levered 2x
 ** - numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 1.25 times due to the application of leverage in certain fixed income asset classes.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS (continued)

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. 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%. 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 2.12% at December 31, 2020, and 2.75% at December 31, 2019, was blended with the long-term rate of 8% which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-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 2.96% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%) or one percentage point higher (3.96%) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's Proportionate Share of the Net OPEB Liability	\$4,503,907	\$3,611,959	\$2,876,207

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.

NOTE 12 - 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2021, was as follows:

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2018 City Hall HVAC						
(Original Amount \$240,000)	2.5-4	220,000	\$0	\$10,000	\$210,000	\$10,000
Premium		11,213	0	2,303	8,910	0
2018 EMS Vehicle						
(Original Amount \$265,000)	2.5-4	220,000	0	25,000	195,000	25,000
Premium		6,110	0	2,560	3,550	0
2020 Street Improvement						
(Original Amount \$827,000)	1-4	813,000	0	76,000	737,000	\$77,000
Premium		88,308	0	28,610	59,698	0
2020 Computer Equipment						
(Original Amount \$401,000)	1-4	395,000	0	37,000	358,000	37,000
Premium		42,924	0	13,964	28,960	0
2020 City Hall Roof						
(Original Amount \$56,000)	1-4	55,000	0	5,000	50,000	5,000
Premium		6,263	0	1,915	4,348	0
2020 Generator						
(Original Amount \$116,000)	1-4	115,000	0	10,000	105,000	10,000
Premium		13,674	0	4,383	9,291	0
2020 Central Garage						
(Original Amount \$693,000)	1-4	690,250	0	64,500	625,750	66,500
Premium		75,738	0	25,267	50,471	0
Total General Obligation Bonds		<u>2,752,480</u>	<u>0</u>	<u>306,502</u>	<u>2,445,978</u>	<u>230,500</u>
Other Long-Term Obligations						
OPWC Loan from Direct Borrowing						
#CP10D Marion Williamsport Road Improvements						
(Original Amount \$128,202)	0.00	12,820	0	6,410	6,410	6,410
Capital Leases		360,121	0	72,131	287,990	18,677
Total Other Long-Term Obligations		<u>372,941</u>	<u>0</u>	<u>78,541</u>	<u>294,400</u>	<u>25,087</u>
Total Governmental Activities		<u>\$3,125,421</u>	<u>\$0</u>	<u>\$385,043</u>	<u>\$2,740,378</u>	<u>\$254,587</u>

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2012 Various Purpose						
(Original Amount \$11,235,000)	2-4	\$685,000	\$0	\$685,000	\$0	\$0
2018 Various Purpose						
(Original Amount \$6,980,000)	2.5-4	6,520,000	0	265,000	6,255,000	265,000
Premium		328,371	0	67,623	260,748	0
2020A Various Purpose						
(Original Amount \$5,007,000)	1-4	4,966,750	0	462,500	4,504,250	474,500
Premium		542,850	0	179,454	363,396	0
2020B Various Purpose						
(Original Amount \$11,120,000)	.37-2.37	10,990,000	0	140,000	10,850,000	850,000
Total General Obligation Bonds		\$24,032,971	\$ 0	\$1,799,577	\$22,233,394	\$1,589,500
Other Long-Term Obligations						
OWDA Loans from Direct Borrowings						
#3397 WRRSP						
(Original Amount \$5,366,955)	1.50%	\$611,702	\$0	\$303,566	\$308,136	\$308,136
#3398 WWTP Upgrade						
(Original Amount \$20,784,201)	1.50	2,399,372	0	1,190,722	1,208,650	1,208,650
#7912/8542 WPC Treatment Enhancement						
(Original Amount \$28,747,162)	0.00	17,874,805	10,872,357	0	28,747,162	0
Total OWDA Loans		\$20,885,879	\$10,872,357	\$1,494,288	\$30,263,948	\$1,516,786
OPWC Loans from Direct Borrowings						
#CP06G Mary St Sanitary Sewer and Storm Water Replacement						
(Original Amount \$29,232)	0.00	\$7,308	\$0	\$1,462	\$5,846	\$1,461
#CP10F Uncapher Ave/ Florence St Sanitary Sewer and Storm Water Replacement						
(Original Amount \$268,990)	0.00	40,349	0	13,450	26,899	13,449
#CP16E Avondale Ave/ Catalina Dr Storm Water Replacement						
(Original Amount \$119,185)	0.00	8,939	0	5,959	2,980	2,980

(continued)

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<u>Business-Type Activities (continued)</u>						
OPWC Loans from Direct Borrowings (continued)						
#CP33E Water Pollution Control Upgrade						
(Original Amount \$1,070,800)	0.00%	\$187,390	\$0	\$53,540	\$133,850	\$53,540
#CP14L Franconia Avenue Sanitary Sewer and Storm Water Replacement						
(Original Amount \$107,827)	0.00	73,682	0	3,594	70,088	3,594
#CP05K Oakgrove and Waterloo Sanitary Sewer and Storm Water Replacement						
(Original Amount \$211,153)	0.00	110,854	0	10,558	100,296	10,558
#CP04M Woodrow and Henry Sanitary Sewer and Storm Water Replacement						
(Original Amount \$60,993)	0.00	42,695	0	2,033	40,662	2,033
#CP04N Milburn Sanitary Sewer and Storm Water Replacement						
(Original Amount \$73,189)	0.00	58,551	0	2,440	56,111	2,440
#CP12R Latourette Sanitary Sewer and Storm Water Replacement						
(Original Amount \$27,199)	0.00	23,119	0	907	22,212	907
#CP22Q North Greenwood Sanitary Sewer and Storm Water Replacement						
(Original Amount \$166,000)	0.00	141,100	0	5,533	135,567	5,533
#CP18S Ballentine Sanitary Sewer and Storm Water Replacement						
(Original Amount \$114,170)	0.00	98,947	0	3,806	95,141	3,805
#CP23S Main/State Sanitary Sewer and Storm Water Replacement						
(Original Amount \$119,499)	0.00	107,549	0	3,983	103,566	3,983
#CP26T South Greenwood Sanitary Sewer and Storm Water Replacement						
(Original Amount \$125,000)	0.00	114,583	0	4,167	110,416	4,167
#CP37T Belmont Sanitary Sewer and Storm Water Replacement						
(Original Amount \$375,000)	0.00	331,250	0	12,500	318,750	12,500

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CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<u>Business-Type Activities (continued)</u>						
OPWC Loans from Direct Borrowings (continued)						
#CP06T George Street Sanitary Sewer and Storm Water Replacement (Original Amount \$100,000)	0.00%	\$91,666	\$0	\$3,333	\$88,333	\$3,333
#CP17U Hane Avenue Sanitary Sewer and Storm Water Replacement (Original Amount \$200,985)	0.00	187,585	0	6,699	180,886	6,699
#CP13V Sharpless Court Sanitary Sewer and Storm Water Replacement (Original Amount \$205,639)	0.00	198,785	0	6,855	191,930	6,855
#CP14V Farming Street Sanitary Sewer and Storm Water Replacement (Original Amount \$64,177)	0.00	64,177	0	2,138	62,039	2,140
#CP18W Uhler Avenue Sanitary Sewer and Storm Water Replacement (Original Amount \$244,334)	0.00	244,334	0	0	244,334	4,072
#CP09W Park Street Sanitary Sewer and Storm Water Replacement (Original Amount \$104,141)	0.00	102,405	0	3,471	98,934	3,472
#CP30X Colonial Acres Sewer Improvements (Original Amount \$107,847)	0.00	0	107,847	0	107,847	0
#CP13X South Grand Sewer (Original Amount \$100,000)	0.00	0	100,000	0	100,000	1,667
Total OPWC Loans		2,235,268	207,847	146,428	2,296,687	149,188
Total Other Long-Term Obligations		23,121,147	11,080,204	1,640,716	32,560,635	1,665,974
Total Business-Type Activities		\$47,154,118	\$11,080,204	\$3,440,293	\$54,794,029	\$3,255,474

General Obligation Bonds

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 Sewer, Landfill, Storm Water, and Aquatic Center enterprise funds. The bonds matured and were fully retired in 2021.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

As of December 31, 2021, 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, 2021, all of the proceeds had been spent and \$825,000 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.

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.

As of December 31, 2021, 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - 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.

As of December 31, 2021, 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.

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 \$923,171 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 Increment Financing capital projects fund and the Sewer and Storm Water enterprise funds.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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 receipts of the Sewer enterprise fund and enterprise fund OPWC loans are payable solely from the gross receipts of the Sewer and Storm Water enterprise funds after provisions for reasonable operating and maintenance disbursements. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net receipts. The total principal and interest remaining to be paid on the OWDA loans (on completed projects for which amortization schedules are available) are \$1,516,786 and \$17,805, respectively, and total principal to be paid on the OPWC loans (on completed projects for which amortization schedules are available) is \$2,087,403. Principal and interest paid in the Sewer enterprise fund for the current year was \$2,387,716 and \$1,031,078 in the Storm Water enterprise fund. Total net receipts for the Sanitary Sewer enterprise fund was \$1,798,475 and \$863,599 in the Storm Water enterprise fund. The OWDA loans are payable through 2022 and the OPWC loans are payable through 2050.

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and unvoted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2021, were an overall debt margin of \$41,823,234 and an unvoted debt margin of \$20,821,337.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2021, were as follows:

Year	Governmental Activities		
	General Obligation Bonds		OPWC Loan from Direct Borrowings
	Principal	Interest	
2022	230,500	65,276	6,410
2023	227,500	62,445	0
2024	229,000	59,557	0
2025	236,500	56,654	0
2026	243,000	53,490	0
2027-2031	1,019,250	121,830	0
2032-2036	75,000	13,000	0
2037	20,000	800	0
	<u>\$2,280,750</u>	<u>\$433,052</u>	<u>\$6,410</u>

The OWDA loan #7912/8542 WPC Treatment Enhancement and OPWC loan #CP30X Colonial Acres Sewer Improvements 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 \$200,000 for OPWC.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2021, from the enterprise funds were as follows:

Year	Business-Type Activities				
	General Obligation Bonds		OWDA Loans from Direct Borrowings		OPWC Loans from Direct Borrowings
	Principal	Interest	Principal	Interest	Principal
2022	1,589,500	485,024	1,516,786	17,085	149,188
2023	1,612,500	509,524	0	0	151,947
2024	1,616,000	491,487	0	0	111,728
2025	1,648,500	470,851	0	0	84,958
2026	1,667,000	447,909	0	0	83,496
2027-2031	8,465,750	1,539,959	0	0	412,202
2032-2036	4,055,000	516,782	0	0	364,692
2037-2041	955,000	57,400	0	0	362,895
2042-2046	0	0	0	0	328,456
2047-2051	0	0	0	0	133,541
2052	0	0	0	0	5,737
	\$21,609,250	\$4,518,936	\$1,516,786	\$17,805	\$2,188,840

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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, 2021.

Year	Governmental Activities	
	Principal	Interest
2022	\$18,677	\$12,815
2023	19,508	11,984
2024	20,376	11,116
2025	21,283	10,209
2026	22,233	9,259
2027-2031	122,493	34,967
2032-2033	63,420	18,095
Total	\$287,990	\$108,445

**CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 15 - 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 City reported \$680,818 as landfill postclosure costs at December 31, 2020, which represented the estimated costs of maintenance and monitoring through 2025. As indicated in Note 3, the City changed from generally accepted accounting principles (GAAP) to the cash basis of accounting for 2021. Total Landfill disbursements for 2021 were \$168,819.

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. For 2021, the City no longer qualified for the Local Government Financial Test due to filing cash-basis financial statements.

NOTE 16 - 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:

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CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 16 - FUND BALANCE (continued)

Fund Balance	General	SCMR	Police	Fire	American Rescue Plan	Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
Restricted for:								
Street maintenance and construction	\$ -	\$ 347,819	\$ -	\$ -	\$ -	\$ -	\$ 392,249	\$ 740,068
Economic development	-	-	-	-	-	-	115,821	115,821
Senior Citizen activities	-	-	-	-	-	-	328,310	328,310
Fire and EMS services	-	-	-	-	-	-	178,399	178,399
Capital improvements	-	-	-	-	-	2,731,678	167,824	2,899,502
Transit operations	-	-	-	-	-	-	121,606	121,606
Police and fire pension	-	-	-	-	-	-	45,929	45,929
Airport improvements	-	-	-	-	-	-	307,193	307,193
Court activites	-	-	-	-	-	-	1,482,928	1,482,928
Railroad crossing improvements	-	-	-	-	-	-	64,125	64,125
Police services	-	-	-	-	-	-	260,870	260,870
Youth activities	-	-	-	-	-	-	1,634	1,634
Insurance	-	-	-	-	-	-	169,724	169,724
Land bank	-	-	-	-	-	-	12,751	12,751
American rescue plan	-	-	-	-	1,879,391	-	-	1,879,391
Total restricted	-	347,819	-	-	1,879,391	2,731,678	3,649,363	8,608,251
Committed to:								
Benefits	1,762	-	-	-	-	-	-	1,762
Assigned to:								
Next years budget	223,920	-	-	-	-	-	-	223,920
Debt Service	-	-	-	-	-	-	224,225	224,225
Airport improvements	140,741	-	-	-	-	-	-	140,741
Recreation	27,716	-	-	-	-	-	-	27,716
Underground storage tanks	11,000	-	-	-	-	-	-	11,000
Wellness Program	16,396	-	-	-	-	-	-	16,396
Total assigned	419,773	-	-	-	-	-	224,225	643,998
Unassigned	3,650,448	-	(138,266)	(48,213)	-	-	-	3,463,969
Total cash fund balan	<u>\$ 4,071,983</u>	<u>\$ 347,819</u>	<u>\$ (138,266)</u>	<u>\$ (48,213)</u>	<u>\$ 1,879,391</u>	<u>\$ 2,731,678</u>	<u>\$ 3,873,588</u>	<u>\$ 12,717,980</u>

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 17 - 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 18 - 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 2021, 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.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. 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.

C. 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 or 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.

NOTE 19 - 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, 2021, to December 31, 2021, 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.

C. 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 ensuing emergency measures will impact subsequent periods for the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the City's future operating costs, receipts, and the amount of any recovery from emergency funding, either federal or state, cannot be estimated.

CITY OF MARION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 20 - SUBSEQUENT EVENTS

On November 8, 2022, voters approved an additional 2.75 mill continuous fire levy.

During June 2022, Standard & Poor (S&P) lowered the City's bond rating from A- to BBB. During April 2023, S&P withdrew the City's bond rating.

NOTE 21 – TRANSFERS

During 2021, the General Fund made transfers to the Police and Fire special revenue funds and other governmental funds, in the amounts of \$3,500,000, \$1,800,000 and \$1,136,000, respectively, to subsidize operations in those funds.

The Tax Increment Financing capital projects fund made transfers to other governmental funds, in the amount of \$86,500, to make debt payments as they come due.

Other governmental funds made transfers to other governmental funds, in the amount of \$229,448, to make debt payments as they come due.

The Sewer and Storm Water enterprise funds made transfers to the Tax Increment Financing capital projects fund, in the amounts of \$2,602 and \$3,808, respectively, to make debt payments as they come due.

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**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FEDERAL GRANTOR <i>Pass Through Grantor Program / Cluster Title</i>	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Development Services Agency Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	A-F-19-2CI-1	<u>158,724</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
U.S. DEPARTMENT OF JUSTICE			
Treatment Court Discretionary Grant Program (Direct)	16.585	N/A	<u>11,821</u>
Public Safety Partnership and Community Policing Grants (Direct)	16.710	N/A	<u>54,741</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			
U.S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program, Infrastructure Investment and Job Act Programs and COVID-19 Airports Programs (Direct)	20.106	N/A	<u>1,008,944</u>
Passed Through Ohio Department of Transportation Formula Grants for Rural Areas and Tribal Transit Program COVID-19 Formula Grants for Rural Areas and Tribal Transit Program Total Formula Grants for Rural Areas and Tribal Transit Program	20.509 20.509 20.509	110-RPTF-20-0100 110-CARE-21-0100	<u>151,475</u> <u>532,117</u> <u>683,592</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio District 5 Area Agency on Aging Aging Cluster: Special Programs for the Aging, Title III, Part B - Grants for Supportive Services and Senior Centers Aging Cluster total:	93.044	N/A	<u>54,419</u> <u>54,419</u>
National Family Caregiver Support, Title III, Part E	93.052	N/A	<u>7,169</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
U.S. DEPARTMENT OF HOMELAND SECURITY			
Staffing for Adequate Fire and Emergency Response (Direct)	97.083	N/A	<u>109,995</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			
TOTAL EXPENDITURES OF FEDERAL AWARDS			
<u>\$ 2,089,405</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, 2021**

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, 2021. 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 and changes in net position 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 LOAN CASH BALANCE

The current cash balance on the City's Local Program Income Account as of December 31, 2021 is \$20,374.

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.

NOTE F – CORRECTION TO PRIOR YEAR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal expenditures totaling \$33,952 from the Police Helmets grant (AL#16.034) were inadvertently excluded by the City on the prior year's Schedule of Expenditures of Federal Awards.



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 43301

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 15, 2025, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles. This was a change in financial presentation for the City's December 31, 2020 report which was prepared on a generally accepted accounting principles (GAAP) basis. We qualified our opinion on Governmental Activities, Business-Type Activities, General Fund, Street Construction Maintenance and Repair Fund, Police Fund, Fire Fund, Sanitary Sewer Fund, Sanitation Fund, Storm Water Fund, Aquatics Center Fund and aggregate remaining fund information because of significant unsupported differences between the cash and cash equivalents reported on the December 31, 2020 financial statements and the beginning of year cash financial position reported on the December 31, 2021 cash-basis financial statements.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

City of Marion
Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-002 through 2021-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-001, 2021-004 through 2021-006.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying corrective action plan. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

October 15, 2025



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

City of Marion
Marion County
233 W. Center Street
Marion, Ohio 43301-1822

To the City Council:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Marion's, Marion County, (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on City of Marion's major federal program for the year ended December 31, 2021. City's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, City of Marion complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

City of Marion

Marion County

Independent Auditor's Report on Compliance with Requirements

Applicable to the Major Federal Program and on Internal Control Over Compliance

Required by the Uniform Guidance

Page 2

Responsibilities of Management for Compliance

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of Marion

Marion County

Independent Auditor's Report on Compliance with Requirements

Applicable to the Major Federal Program and on Internal Control Over Compliance

Required by the Uniform Guidance

Page 3

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KEITH FABER

Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM

Chief Deputy Auditor

October 15, 2025

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**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Modified- Government Activities, Business Type Activities, General, Street Construction Maintenance and Repair, Police, Fire, Sewer, Sanitation, Storm Water and Aquatics Center Unmodified- American Rescue Plan, Tax Increment Financing and Landfill.
(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):	Airport Improvement Program (AL #20.106)
(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?	No

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

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

FINDING NUMBER 2021-001

**Noncompliance
GAAP Reporting & Timely Filing**

Ohio Rev. Code § 117.38 states, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within 60 days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within 150 days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension.

Ohio Admin. Code 117-2-03(B) requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The City prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund balances/net position, and disclosures that, while presumed material, cannot be determined at this time. Additionally, the City's annual financial report due by March 1, 2022 was not filed with the Auditor of State until April 4, 2025.

Pursuant to Ohio Rev. Code § 117.38, the City may be fined for its failure to file both the required financial report and also by the established deadline. Failure to report on a GAAP basis compromises the City's ability to evaluate and monitor the overall financial condition of the City. To help provide the users with more meaningful financial statements, the City should prepare its annual financial statements according to generally accepted accounting principles. Additionally, the City should implement procedures to verify its annual financial report is filed with the Auditor of State by the required deadline. If the City is unable to meet the deadline, the City should file an extension request through the Auditor of State.

Officials' Response: See corrective action plan.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

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

FINDING NUMBER 2021-002

**Material Weakness
Bank-to-Book Reconciliation**

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) 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 City 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 2021:

- Monthly bank to book reconciliations were not prepared or reviewed each month of 2021, with the December reconciliation being provided on March 13, 2024.
- The Cashless Evidence Room off-the-books account (which was new for 2021) was neither included on the reconciliation nor the financial report filed with the Auditor of State's Office.
- The City had an unreconciled and unsupported difference at December 31, 2021, with the bank balance being greater than the book balance by \$543,079, after consideration of the audit adjustments outlined in Finding 2021-003.
- The Criminal/Traffic account had 39 outstanding warrants totaling \$3,376 that were older than one year. The Civil account had 57 outstanding warrants totaling \$12,353 that were older than one year.

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 Auditor should record all transactions, and the City Auditor and/or Treasurer should 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, 2021
(Continued)**

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

FINDING NUMBER 2021-003

**Material Weakness
Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The City contracted with an accounting firm for assistance in preparing its monthly reconciliations. At the end of their work, the City was presented with an excel file of 54 adjusting entries applicable to fiscal year end December 31, 2020 and 52 adjusting entries related to fiscal year end December 31, 2021. These entries were reviewed and posted to the accounting system by the City Auditor. Supporting documentation and/or related worksheets were not provided to the audit team. Through various testing methods, assurance was gained over the City's 2021 revenues and disbursements. However, without additional supporting documentation, auditors were not able to gain assurance over the adjusted beginning of year cash financial position reported on the December 31, 2021 cash-basis financial statements. Thus, a qualified opinion has been issued over beginning and end of year cash financial positions for all activities and funds reported, with the exception of the American Rescue Plan, Tax Increment Financing and Landfill funds. The American Rescue Plan, Tax Increment Financing and Landfill funds did not report unsupported beginning cash fund balance adjustments.

Another sixty-five adjusting entries were identified during the audit and posted to the financial statements and accounting ledgers where applicable, as follows:

- The Marion Energy Special Improvement District (ESID), State Patrol Fines, and Rotary Custodial funds were erroneously excluded from the financial statements, thus requiring adjustments to increase Additions, Deductions, and Beginning Net Position by \$1,473,947, \$1,480,281, and \$44,680, respectively.
- Custodial Fines and Forfeitures for Other Governments and Distributions from Municipal Court to Other Governments were adjusted to exclude \$347,472 paid to the City and adjusted this amount to General Fund Fines and Forfeitures.
- Lease receipts in the amount of \$265,698 were improperly classified as Charges for Services rather than as Other Receipts in the Aquatics Center Fund.
- Reclassification of Property & Other Local Taxes to Charges for Services in the amount of \$7,232 on the General Fund Budget and Actual Statement.
- Ohio Public Works Commission (OPWC) on-behalf grant activity was excluded from Capital Contributions and Capital Outlay in both the Sewer and Storm Water funds in the amounts of \$400,000 and \$234,680 respectively.

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

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

FINDING NUMBER 2021-003(continued)

**Material Weakness
Financial Reporting-Continued**

- Multiple adjustments and/or reclassifications were made to properly present debt disbursements and proceeds¹.

Opinion Unit	Revenues -Other Receipts	Revenues- GO Bonds Issued/ Loans Issued	Transfer In/Out	Disbursement- Principal Retirement	Disbursement- Interest & Fiscal Charges	Disbursement- Capital Outlay
General Fund	\$2,108	(\$2,108)				
Police Fund				\$54,250	\$3,499	
Fire Fund				\$17,881	\$13,611	
Tax Increment Financing Fund			\$6,410	\$6,410		
Sewer Fund		\$328,114	(\$2,602)	\$142,526	\$17,659	\$328,114
Storm Water Fund		\$107,847	(\$3,808)	\$170,146	\$62,449	\$107,847
Debt Service Fund (RFI)				(\$418,200)	(\$37,881)	
Capital Improvement Fund (RFI)						(\$89,241)
Internal Service Fund (RFI)				(\$193,500)	(\$53,400)	

1 Table was presented in the format to show increases as a positive amount and reductions as a negative.

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)

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

FINDING NUMBER 2021-003(continued)

Material Weakness
Financial Reporting-Continued

- The following adjustments and/or reclassifications were made to properly present transfers/advances¹:

Opinion Unit	Transfers-In Advances In	Transfers-Out Advances Out	Disbursements
General Fund	(\$664,000)	(\$1,002,919)	\$338,919- Public Health
Tax Increment Financing Fund		\$72,280	
Capital Improvements Fund (RFI)		\$35,045	
Governmental Activities	\$6,410 – Transfers (\$8,000) – advances	(\$330,182) – transfers (\$8,000) - advances	\$322,000-Street Maintenance and Repair
Business-Type Activities		\$6,410	

- The following adjustments were made to properly present adjustments identified by the Auditor of State's Local Government Services during the compilation of the December 31, 2020 financial statements. The impact of those adjustments on January 1, 2021 beginning cash financial position were not properly posted to the City's accounting ledgers or the year ended December 31, 2021 financial statements. The cumulative impact of the adjustments presented in the table below was also adjusted to the governmental activities and business type activities as applicable.¹

Opinion Unit	Revenues-	Disbursements-	Beginning Fund Balance
General Fund	(\$84,760)- Income Taxes	\$15,045 -Legislative & Executive \$2,323- Leisure Time	\$27,557
Street Construction Maint. & Repair Fund		\$6,343- Street Maintenance & Repair	(\$69,455)
Police Fund		\$25,700-Security Persons & Property	(\$24,255)
Fire Fund		\$22,092-Security Persons & Property	(\$22,092)
Tax Increment Financing Fund		\$223,412- Transfers Out	(\$111,706)
Sewer Fund		\$10,611-Personal Services	(\$86,066)
Sanitation Fund		\$5,213- Personal Services	(\$5,213)
Storm Water Fund		\$856- Personal Services	(\$228,178)
Landfill Fund			\$784
Aquatics Center Fund		\$724- Personal Services	\$101
Remaining Fund Information (RFI)	(\$2,500)- Intergovernmental	\$1,469- Personal Services \$608- Leisure Time \$2,453 – Judicial \$2,845 -Transportation \$492- Legislative & Executive	\$307,543

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)

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

FINDING NUMBER 2021-003(continued)

Material Weakness

Financial Reporting-Continued

In addition to the adjustments listed above, we also identified three additional misstatements ranging from \$34,197 to \$41,564 which were brought to the City's attention. Corrections were also made to the City's notes to the financial statements specifically to the City's debt disclosures.

The existence of audit adjustments indicates a lack of or failure of controls over the posting of financial transactions, accounting adjustments and financial reporting; which can result in errors and irregularities that may go undetected, decreasing the reliability of the financial data throughout the year.

We recommend the City develop policies and procedures to enhance its controls over the recording of financial transactions, posting of accounting adjustments and financial reporting to help ensure the information accurately reflects the financial activity of the City and thereby increasing the reliability of the financial data throughout the year. We also recommend the City implement additional procedures to ensure the completeness and accuracy of the City's year-end financial statements. Such procedures should include an analytical review that compares the current year financial statements to the prior year financial statements to identify obvious errors or omissions.

Officials' Response: See corrective action plan.

FINDING NUMBER 2021-004

Noncompliance & Material Weakness
Employee Withholding Remittances

Federal Taxes/Internal Revenue Service

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. 7501(a). Furthermore, 26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter. 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).

Ohio Department of Job & Family Services

Ohio Rev. Code § 4141.20(B) provides that every contributory employer shall file a quarterly contribution and wage report with the Ohio Department of Job and Family Services. The quarterly report shall be filed not later than the last day of the first month following the close of the calendar quarter for which the quarterly report is being filed. In case of failure to properly file the quarterly contribution and wage report containing all the required contribution and wage information within the time prescribed by this section, the director shall assess a forfeiture amounting to twenty-five one-hundredths of one per cent of the total remuneration reported by the employer, provided such forfeiture shall not be less than fifty nor more than one thousand dollars.

CITY OF MARION
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)

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

FINDING NUMBER 2021-004 (continued)

**Noncompliance & Material Weakness
Employee Withholding Remittances- continued**

Ohio Public Employees Retirement System

Ohio Rev. Code § 145.47 provides the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the public employee retirement system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. Furthermore, unless the board adopts a rule under division (D) of this section, the penalty described in division (B) of this section for failing to timely transmit a report, pay the total amount due, is outlined in Ohio Rev. Code § 145.47(C).

Ohio Department of Taxation

Ohio Rev. Code § 5747.06 states, in part, that every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748. of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee.

Ohio Police & Fire Pension

Ohio Rev. Code § 742.31 requires each employee to contribute an amount equal to a percentage of the employee's salary to the Ohio Police and Fire Pension Fund in the amount of twelve and one-quarter per cent. Ohio Rev. Code § 742.33 states, in part, that each employer shall pay monthly, on such dates as the board of trustees of the Ohio Police and Fire Pension Fund requires, an amount known as "police officer employers' contribution," which shall be nineteen and one-half per cent of the salaries of the members of the police department of the employer. Additionally, Ohio Rev. Code § 742.32 and § 742.35 states that the employer shall make each payment not later than the last day of the month after the month for which the police officer or firefighter employee contributions were withheld. If an employer fails to make the payment installment by the date it is due, a penalty shall be assessed against the employer.

During 2021, the City completed multiple filings and payments late with the following agencies:

- Internal Revenue Service- payments were filed late for first, third and fourth quarters resulting in penalties/interest payments of \$31,698.27 of this amount \$16,060.35 has been abated.
- Ohio Department of Job & Family services- first and fourth quarters of unemployment insurance

**CITY OF MARION
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

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

FINDING NUMBER 2021-004 (continued)

remittances were submitted late resulting in \$1,096.19 in penalties and interest.

- Ohio Public Employees Retirement System (OPERS) filing for December 2021 was submitted late which led to the City incurring \$1,676.41 in penalties.
- Ohio Department of Taxation- The City did not withhold school district income taxes for multiple employees and reimbursed those employees for penalties and interest they incurred which totaled \$76.
- Ohio Police & Fire Pension Fund (OP&F) report for August 2021 was submitted 13 days late, contributions for January and December were made 25 and 30 days late respectively resulting in penalties and interest of \$5,941.92.

The City has also incurred additional penalties and interest prior to and subsequent to fiscal year 2021, totaling \$279,036.80, and an additional \$146,169.38 was abated. Fines, penalties and interest paid by the City may be subject to findings for recoveries in subsequent audit reports.

The City should evaluate its internal controls to improve its processes to be able to submit remittances to the appropriate agencies in a timely manner.

Officials' Response: See corrective action plan.

FINDING NUMBER 2021-005

Noncompliance-Expenditures Exceed Appropriations

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 following appropriation allocations had expenditures in excess of appropriations as of December 31, 2021:

Fund/Account	Excess
General Fund-General Government-Judicial	\$ 44,905
General Fund-Leisure Time Activities	20,722
General Fund-Transfers Out	1,150,886
Street Construction, Maintenance, and Repair Fund-Transportation-Street Maintenance and Repair	71,291
Police Fund-Security of Persons and Property-Police	567,688
Fire Fund-Security of Persons and Property-Fire	625,738

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, 2021
(Continued)**

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

FINDING NUMBER 2021-006

**Noncompliance
Negative Fund Balances**

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The following funds had deficit fund balances at December 31, 2021:

- Parks in the amount of (\$23,375)
- Police in the amount of (\$138,266)
- Fire in the amount of (\$48,213)
- Storm Water in the amount of (\$106,176)
- Landfill in the amount of (\$719)

Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedure(s) and control(s), such as the Management and/or Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance. Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The City should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Officials' Response: See corrective action plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**CITY OF
MARION
AUDITOR**
AUDITOR MIRANDA MEGINNESS

City of Marion Auditor
233 W. Center Street
Marion, Ohio 43302
740.383.5337
mmginness@marionohio.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR § 200.511(b)

December 31, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Bank to Book Reconciliations- Material Weakness	Not Corrected	Refer to Finding 2021-002
2020-002	Appropriations Exceed Estimated Resources- Material Weakness and Noncompliance	Corrected	
2020-003	Expenditures Exceed Appropriations- Material Weakness and Noncompliance	Not Corrected	Refer to Finding 2021-005
2020-004	Finding for Recovery- Noncompliance- Timely remittances of Withholdings	Not Corrected	Refer to Finding 2021-004
2020-005	Finding for Recovery- Resolved- Overpayment of vacation leave	Corrected	
2020-006	Finding for Recovery- Noncompliance- Timely remittance of W-2 and W-3 forms.	Corrected	

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YOUR
CITY**

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CITY OF MARION AUDITOR

AUDITOR MIRANDA MEGINNESS

City of Marion Auditor

233 W. Center Street

Marion, Ohio 43302

740.383.5337

mmginness@marionohio.org

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

December 31, 2021

Finding Number:

2021-001

Planned Corrective Action:

The City is working with Clark Schaefer Hackett to prepare the audits for 2022-2024. As of August 2025, the proposed timeline for audits is as follows: FY 2022 should be completed by 12/31/25; FY 2023 should be completed by 03/21/26; FY 2024 should be completed by 06/30/26, all completed on a cash basis to ensure the City gets caught up on the required filings. There are also proposed deadlines of 09/30/26 for FY 2025 and 06/30/27 for FY 2026, with FY 2025 also filed on a cash basis and finally returning to GAAP basis for FY 2026.

Anticipated Completion Date:

June 30, 2027

Responsible Contact Person:

Miranda Meginness, City Auditor

Finding Number:

2021-002

Planned Corrective Action:

Bank reconciliations are being processed within the software system, New World, to ensure reconciliations are done every month and maintained in chronological order. The system will not allow a reconciliation to be posted with a difference, so it is requiring that time and research go into every reconciliation. Cashless Evidence is being recorded separately and updated regularly. It will be included in the 2022 packet for Clark Schaefer Hackett to review.

ongoing

Kevin Stowers, Internal Auditor

Anticipated Completion Date:

Responsible Contact Person:

Finding Number:

2021-003

Planned Corrective Action:

Establish and implement policies and procedures to verify and post accounting adjustments to New World. These policies and procedures will also include an end of year analysis of all adjustments posted on an annual basis prior to closing the year.

12/31/2025

Marden Watts, Deputy Auditor

Anticipated Completion Date:

Responsible Contact Person:



CITY OF MARION AUDITOR

AUDITOR MIRANDA MEGINNESS

City of Marion Auditor

233 W. Center Street

Marion, Ohio 43302

740.383.5337

mmginness@marionohio.org

Finding Number:

2021-004

Planned Corrective Action:

The City has started the process of converting to ADP payroll systems to process payroll and exploring benefits management, including payment of withholdings and deductions. Education of staff has taken place to ensure payment schedules are met on time and reports are filed timely.

ongoing

Anticipated Completion Date:

Responsible Contact Person:

Miranda Meginness, City Auditor; Jeff Davidson, Administrative Assistant - Auditor

Finding Number:

2021-005

Planned Corrective Action:

The Auditor's Office regularly submits budget performance reports to City Council and will continue to review these on a regular basis. The City has also hired a Director of Budget Management. Working in partnership with the Auditor's Office, this position is responsible for maintaining the City's budget and adjusting as necessary. Permissions to override budgets have also been removed from all users within the New World system with the exception of the City Auditor.

ongoing, permissions removed 10/27/2025

Miranda Meginness, City Auditor

Anticipated Completion Date:

Responsible Contact Person:

Finding Number:

2021-006

Planned Corrective Action:

The Auditor's Office regularly submits budget performance reports to City Council and will continue to review these on a regular basis. The City has also hired a Director of Budget Management. Working in partnership with the Auditor's Office, this position is responsible for maintaining the City's budget and adjusting as necessary. Permissions to override budgets have also been removed from all users within the New World system with the exception of the City Auditor.

ongoing, permissions removed 10/27/2025

Miranda Meginness, City Auditor

Anticipated Completion Date:

Responsible Contact Person:

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CITY

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 11/13/2025

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

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www.ohioauditor.gov