

**CITY OF MARION, KANSAS**

Primary Government Financial Statements With Independent Auditors' Report

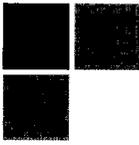
For the Year Ended December 31, 2011

**CITY OF MARION, KANSAS**  
Primary Government Financial Statements With Independent Auditors' Report  
For the Year Ended December 31, 2011

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the City Council  
**City of Marion, Kansas**  
Marion, Kansas

We have audited the accompanying primary government financial statements of **City of Marion, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Marion, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

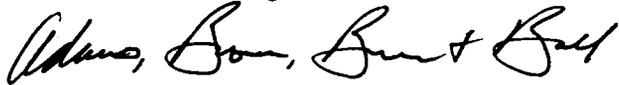
The financial statements do not include financial data for the City's legally separate component units, Housing Authority of the City of Marion, Kansas and Marion Public Library. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **City of Marion, Kansas**, as of December 31, 2011, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Housing Authority of the City of Marion, Kansas will be issuing separate reporting entity financial statements. The Marion Public Library is not required to have an audit of their financial statements, so no separate financial statements for this entity will be issued. The cash, unencumbered cash balance, cash receipts, and cash expenditures of this component unit, if included in the City's financial statements, would have been reported as \$128,036, \$142,890, \$93,230, and \$78,376, respectively.

As described more fully in Note 1, **City of Marion, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with the accounting principles generally accepted in the United States of America, the financial position of **City of Marion, Kansas**, as of December 31, 2011, or the changes in its financial position for the year then ended.

**City of Marion, Kansas**  
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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Marion, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

August 06, 2012

**CITY OF MARION, KANSAS**  
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
 For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
<b>General Fund</b>	\$ 61,890	-	1,438,905	1,519,766	(18,971)	46,649	27,678
<b>Special Revenue Funds</b>							
Library Fund	3,314	-	140,562	140,876	3,000	-	3,000
Special City Highway Fund	55,543	-	57,057	87,721	24,879	-	24,879
Special Park and Recreation Fund	1,889	-	812	-	2,701	-	2,701
Equipment Reserve Fund	70,887	-	57,640	62,824	65,703	-	65,703
Capital Improvement Fund	467,449	-	405,694	687,997	185,146	-	185,146
<b>Debt Service Fund</b>							
Bond and Interest Fund	73,926	-	1,137,555	1,210,866	615	-	615
<b>Proprietary Fund Category</b>							
<b>Enterprise Fund</b>							
Utilities Fund	523,670	-	2,842,339	2,673,563	692,446	83,053	775,499
<b>Fiduciary Fund Category</b>							
<b>Private Purpose Trust Fund</b>							
Special Law Enforcement Trust Fund	-	-	-	-	-	-	-
<b>Total Primary Government</b>	<u>\$ 1,258,568</u>	<u>-</u>	<u>6,080,564</u>	<u>6,383,613</u>	<u>955,519</u>	<u>129,702</u>	<u>1,085,221</u>
			<b>Composition of Cash</b>				
				Checking Accounts			\$ 1,085,021
				Petty Cash			<u>200</u>
				<b>Total Primary Government</b>			<u>\$ 1,085,221</u>

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

**CITY OF MARION, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 1,496,630	67,256	1,563,886	<b>1,519,766</b>	(44,120)
<b>Special Revenue Funds</b>					
Library Fund	149,722	-	149,722	<b>140,876</b>	(8,846)
Special City Highway Fund	29,065	-	29,065	<b>87,721</b>	58,656
Special Park and Recreation Fund	-	-	-	-	-
<b>Debt Service Fund</b>					
Bond and Interest Fund	371,344	840,000	1,211,344	<b>1,210,866</b>	(478)
<b>Proprietary Fund Category</b>					
<b>Enterprise Fund</b>					
Utilities Fund	2,734,674	-	2,734,674	<b>2,673,563</b>	(61,111)

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

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 452,638	<b>485,066</b>	508,364	(23,298)
Delinquent Tax	8,195	<b>198</b>	5,000	(4,802)
Motor Vehicle Tax	74,864	<b>73,402</b>	79,243	(5,841)
Recreational Vehicle Tax	1,629	<b>1,597</b>	1,960	(363)
16/20M Vehicle Tax	1,494	<b>1,429</b>	1,560	(131)
Local Alcoholic Liquor Tax	832	<b>812</b>	912	(100)
Local Sales/Use Tax	314,941	<b>275,273</b>	263,000	12,273
Excise Tax	74	<b>149</b>	-	149
Highway Connecting Links	10,172	<b>10,172</b>	10,165	7
Franchise Taxes	48,195	<b>47,166</b>	53,029	(5,863)
Dog Tags	3,378	<b>2,225</b>	1,900	325
Licenses, Permits, and Fees	5,298	<b>6,856</b>	4,500	2,356
Cemetery Fees	8,700	<b>7,900</b>	9,200	(1,300)
Rural Fire Contracts	7,138	<b>27,145</b>	19,500	7,645
Interest Income	2,311	<b>1,382</b>	4,000	(2,618)
Rent Income	61,491	<b>60,899</b>	61,066	(167)
Court Fines and Bonds	8,272	<b>5,908</b>	9,210	(3,302)
Reimbursements	74,801	<b>82,477</b>	62,250	20,227
Reimbursed - Sales Tax	-	<b>64,519</b>	-	64,519
Lease Proceeds	-	<b>67,256</b>	-	67,256
FEMA Reimbursements	402	-	-	-
Business Park Lot Sales	3,668	-	-	-
Miscellaneous	729	<b>4,434</b>	2,600	1,834
Sale of Equipment	-	<b>17,640</b>	-	17,640
Transfers In	265,000	<b>195,000</b>	195,000	-
<b>Total Cash Receipts</b>	<u>1,354,222</u>	<u><b>1,438,905</b></u>	<u>1,292,459</u>	<u>64,287</u>
<b>Expenditures</b>				
<b>General Government</b>				
Personnel Services	160,474	<b>135,609</b>	167,449	(31,840)
Contractual Services	22,885	<b>26,245</b>	29,000	(2,755)
Commodities	60,798	<b>37,150</b>	33,757	3,393
Capital Outlay	2,661	-	-	-
Sales Tax	48,177	<b>64,519</b>	49,533	14,986
<b>Total General Government</b>	<u>294,995</u>	<u><b>263,523</b></u>	<u>279,739</u>	<u>(16,216)</u>
<b>Senior Citizens Housing Authority</b>				
Personnel Services	55,131	<b>56,226</b>	51,000	5,226
Appropriation	1,000	-	-	-
<b>Total Senior Citizens Housing Authority</b>	<u>\$ 56,131</u>	<u><b>56,226</b></u>	<u>51,000</u>	<u>5,226</u>

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

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Cemetery</b>				
Personnel Services	\$ 43,739	<b>45,331</b>	43,527	1,804
Commodities	8,332	<b>8,335</b>	10,473	(2,138)
<b>Total Cemetery</b>	52,071	<b>53,666</b>	54,000	(334)
<b>City Building</b>				
Personnel Services	4,683	<b>18,788</b>	24,927	(6,139)
Commodities	20,421	<b>17,847</b>	19,144	(1,297)
<b>Total City Building</b>	25,104	<b>36,635</b>	44,071	(7,436)
<b>Flood Control Project</b>				
Commodities	2,724	<b>7,368</b>	8,400	(1,032)
Capital Outlay	2,936	<b>91,666</b>	44,500	47,166
<b>Total Flood Control Project</b>	5,660	<b>99,034</b>	52,900	46,134
<b>Fire</b>				
Personnel Services	9,794	<b>12,597</b>	12,918	(321)
Commodities	23,657	<b>24,017</b>	22,500	1,517
<b>Total Fire</b>	33,451	<b>36,614</b>	35,418	1,196
<b>Library Program</b>	3,990	<b>3,945</b>	2,000	1,945
<b>Museum</b>				
Personnel Services	3,229	<b>3,229</b>	3,440	(211)
Commodities	2,299	<b>2,276</b>	2,870	(594)
<b>Total Museum</b>	5,528	<b>5,505</b>	6,310	(805)
<b>Recreation</b>				
Appropriation	17,000	<b>17,000</b>	17,000	-
<b>Park</b>				
Personnel Services	41,875	<b>28,762</b>	18,816	9,946
Commodities	23,288	<b>16,642</b>	13,040	3,602
Capital Outlay	422	<b>642</b>	600	42
<b>Total Park</b>	\$ 65,585	<b>46,046</b>	32,456	13,590

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

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Municipal Court</b>				
Personnel Services	\$ 2,584	<b>2,487</b>	2,584	(97)
Commodities	384	<b>1,784</b>	1,055	729
<b>Total Municipal Court</b>	<u>2,968</u>	<u><b>4,271</b></u>	<u>3,639</u>	<u>632</u>
<b>Street and Alley</b>				
Personnel Services	123,607	<b>123,664</b>	118,148	5,516
Commodities	98,188	<b>85,448</b>	102,308	(16,860)
Capital Outlay	7,567	<b>7,093</b>	8,400	(1,307)
<b>Total Street and Alley</b>	<u>229,362</u>	<u><b>216,205</b></u>	<u>228,856</u>	<u>(12,651)</u>
<b>Swimming Pool</b>				
Commodities	41,967	<b>36,562</b>	41,000	(4,438)
<b>Industrial Development</b>				
Personnel Services	62,157	<b>62,813</b>	63,175	(362)
Contractual Services	186	<b>282</b>	600	(318)
Commodities	7,615	<b>12,618</b>	16,829	(4,211)
Capital Outlay	395	<b>280</b>	395	(115)
Property Taxes	686	<b>13,564</b>	12,500	1,064
<b>Total Industrial Development</b>	<u>71,039</u>	<u><b>89,557</b></u>	<u>93,499</u>	<u>(3,942)</u>
<b>EMS</b>				
Commodities	2,604	<b>2,159</b>	3,600	(1,441)
<b>Police</b>				
Personnel Services	231,577	<b>220,217</b>	209,524	10,693
Commodities	11,446	<b>10,932</b>	9,275	1,657
Capital Outlay	1,416	<b>1,238</b>	600	638
Car Expense	9,478	<b>12,838</b>	26,292	(13,454)
Training	336	<b>150</b>	1,000	(850)
Insurance	12,633	<b>13,035</b>	14,000	(965)
Utilities	5,203	<b>3,449</b>	6,000	(2,551)
<b>Total Police</b>	<u>\$ 272,089</u>	<u><b>261,859</b></u>	<u>266,691</u>	<u>(4,832)</u>

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

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Tourism</b>				
Appropriation	\$ 10,000	<b>7,000</b>	7,000	-
<b>Airport</b>				
Contractual Services	4,445	<b>3,179</b>	4,500	(1,321)
Commodities	4,774	<b>6,970</b>	7,000	(30)
<b>Total Airport</b>	9,219	<b>10,149</b>	11,500	(1,351)
<b>Baseball Complex</b>				
Personnel Services	7,406	<b>7,665</b>	6,890	775
Commodities	6,583	<b>12,695</b>	13,000	(305)
<b>Total Baseball Complex</b>	13,989	<b>20,360</b>	19,890	470
<b>Other Expenditures</b>				
Lease Expense	49,633	<b>117,465</b>	56,240	61,225
Lease Payment to USD #408	100,000	<b>100,000</b>	100,000	-
Miscellaneous	4,355	-	-	-
Neighborhood Revitalization Rebate	-	<b>18,345</b>	33,256	(14,911)
Transfers Out	154,168	<b>17,640</b>	56,565	(38,925)
(a) Adjustment for Qualifying Budget Credit	-	-	67,256	(67,256)
<b>Total Other Expenditures</b>	308,156	<b>253,450</b>	313,317	(59,867)
<b>Total Expenditures</b>	1,520,908	<b>1,519,766</b>	1,563,886	(44,120)
<b>Cash Receipts Over (Under) Expenditures</b>	(166,686)	<b>(80,861)</b>		
<b>Unencumbered Cash - Beginning</b>	228,576	<b>61,890</b>		
<b>Unencumbered Cash - Ending</b>	\$ 61,890	<b>(18,971)</b>		
<b>(a) Adjustment for Qualifying Budget Credit</b>				
Lease Proceeds			\$ 67,256	

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

**CITY OF MARION, KANSAS**  
**Library Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 70,267	<b>75,043</b>	78,655	(3,612)
Delinquent Tax	1,312	<b>103</b>	-	103
Motor Vehicle Tax	11,820	<b>11,407</b>	12,302	(895)
Recreational Vehicle Tax	257	<b>248</b>	304	(56)
16/20M Vehicle Tax	247	<b>223</b>	242	(19)
Reimbursements From Public Library	54,125	<b>53,538</b>	56,820	(3,282)
<b>Total Cash Receipts</b>	<u>138,028</u>	<u><b>140,562</b></u>	<u>148,323</u>	<u>(7,761)</u>
<b>Expenditures</b>				
Personnel Services to be Reimbursed by Public Library	51,378	<b>53,853</b>	56,820	(2,967)
Commodities	122	-	-	-
Appropriation to Public Library	83,902	<b>84,187</b>	87,739	(3,552)
Miscellaneous	711	-	-	-
Neighborhood Revitalization Rebate	-	<b>2,836</b>	5,163	(2,327)
<b>Total Expenditures</b>	<u>136,113</u>	<u><b>140,876</b></u>	<u>149,722</u>	<u>(8,846)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	1,915	<b>(314)</b>		
<b>Unencumbered Cash - Beginning</b>	<u>1,399</u>	<u><b>3,314</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u><u>3,314</u></u>	<u><u><b>3,000</b></u></u>		

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

**CITY OF MARION, KANSAS**  
**Special City Highway Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Special Assessments - Streets	\$ 11,110	<b>2,435</b>	9,098	(6,663)
ARRA Grants Received	4,110	-	-	-
State of Kansas - Fuel Tax	50,205	<b>49,402</b>	51,340	(1,938)
Miscellaneous	-	<b>5,220</b>	-	5,220
<b>Total Cash Receipts</b>	<u>65,425</u>	<u><b>57,057</b></u>	<u>60,438</u>	<u>(3,381)</u>
<b>Expenditures</b>				
Capital Outlay	6,879	<b>23,104</b>	-	23,104
Revolving Loan Principal Payment	55,850	<b>33,301</b>	-	33,301
Revolving Loan Interest Payment	26,676	<b>29,065</b>	29,065	-
Miscellaneous	-	<b>2,251</b>	-	2,251
<b>Total Expenditures</b>	<u>89,405</u>	<u><b>87,721</b></u>	<u>29,065</u>	<u>58,656</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(23,980)	<b>(30,664)</b>		
<b>Unencumbered Cash - Beginning</b>	<u>79,523</u>	<u><b>55,543</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>55,543</u>	<u><b>24,879</b></u>		

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

**CITY OF MARION, KANSAS**  
**Special Park and Recreation Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
State of Kansas - Liquor Tax	\$ 832	<b>812</b>	<u>912</u>	<u>(100)</u>
<b>Expenditures</b>				
Commodities	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Receipts Over (Under) Expenditures</b>	805	<b>812</b>		
<b>Unencumbered Cash - Beginning</b>	<u>1,084</u>	<u><b>1,889</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>1,889</u>	<u><b>2,701</b></u>		

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

**CITY OF MARION, KANSAS**  
**Equipment Reserve Fund**  
Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 60,000	57,640
Lease Proceeds	129,000	-
Sale of Equipment	12,797	-
<b>Total Cash Receipts</b>	<u>201,797</u>	<u>57,640</u>
<b>Expenditures</b>		
Capital Outlay	144,000	-
Lease Expense	-	30,614
Police Vehicle and Equipment	-	32,210
<b>Total Expenditures</b>	<u>144,000</u>	<u>62,824</u>
<b>Cash Receipts Over (Under) Expenditures</b>	57,797	(5,184)
<b>Unencumbered Cash - Beginning</b>	<u>13,090</u>	<u>70,887</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 70,887</u>	<u>65,703</u>

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

**CITY OF MARION, KANSAS**  
**Capital Improvement Fund**  
Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transportation Revolving Loan Fund	\$ 137,217	-
Grant Proceeds	-	149,689
VIN Inspections	3,150	3,303
Donations/Memorials	31,116	2,100
Miscellaneous Income	22	185
Department of Commerce Federal Aid	-	93,417
Bond Proceeds	585,000	-
Lease Proceeds	-	117,000
Transfers In	50,000	40,000
<b>Total Cash Receipts</b>	<u>806,505</u>	<u>405,694</u>
<b>Expenditures</b>		
Capital Outlay	34,287	472,284
City Office	10,783	-
Safe Route to School	-	373
Water Plant Maintenance	327	-
Museum Improvement	25,000	-
Water Line Improvement	16,291	-
Street Projects	315,872	214,141
Brooker Memorial	29,785	1,199
<b>Total Expenditures</b>	<u>432,345</u>	<u>687,997</u>
<b>Cash Receipts Over (Under) Expenditures</b>	374,160	(282,303)
<b>Unencumbered Cash - Beginning</b>	<u>93,289</u>	<u>467,449</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 467,449</u>	<u>185,146</u>

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

**CITY OF MARION, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 14,466	15,451	16,195	(744)
Delinquent Tax	269	20	-	20
Motor Vehicle Tax	2,419	2,345	2,533	(188)
Recreational Vehicle Tax	53	51	63	(12)
16/20M Vehicle Tax	50	46	50	(4)
Bond Proceeds	-	840,000	-	840,000
Special Assessments	15,018	19,285	17,204	2,081
Transfers In	363,283	260,357	308,911	(48,554)
<b>Total Cash Receipts</b>	<u>395,558</u>	<u>1,137,555</u>	<u>344,956</u>	<u>792,599</u>
<b>Expenditures</b>				
Principal	197,051	1,033,691	233,691	800,000
Interest	131,885	146,440	136,590	9,850
Commission and Postage	4	-	-	-
Costs of Issuance	-	30,151	-	30,151
Neighborhood Revitalization Rebate	-	584	1,063	(479)
(a) Adjustment for Qualifying Budget Credit	-	-	840,000	(840,000)
<b>Total Expenditures</b>	<u>328,940</u>	<u>1,210,866</u>	<u>1,211,344</u>	<u>(478)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	66,618	(73,311)		
<b>Unencumbered Cash - Beginning</b>	<u>7,308</u>	<u>73,926</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>73,926</u>	<u>615</u>		
<b>(a) Adjustment for Qualifying Budget Credit</b>				
Bond Proceeds			\$ <u>840,000</u>	

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

**CITY OF MARION, KANSAS**  
**Utilities Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Electric Revenue	\$ 1,799,325	<b>1,915,191</b>	2,100,108	(184,917)
Refuse Revenue	144,851	<b>145,897</b>	134,350	11,547
Sewer Revenue	211,341	<b>260,094</b>	251,468	8,626
Water Revenue	524,932	<b>521,157</b>	514,300	6,857
FEMA Reimbursement	325	-	-	-
<b>Total Cash Receipts</b>	<u>2,680,774</u>	<u><b>2,842,339</b></u>	<u>3,000,226</u>	<u>(157,887)</u>
<b>Expenditures</b>				
<b>Electric Production</b>				
Contractual Services	2,815	<b>2,548</b>	3,250	(702)
Commodities	76,025	<b>38,402</b>	163,359	(124,957)
Purchased Power	1,049,032	<b>1,181,520</b>	1,082,381	99,139
Water and Utilities	9,642	<b>4,181</b>	5,000	(819)
<b>Electric Distribution</b>				
Personnel Services	251,974	<b>251,998</b>	183,219	68,779
Commodities and Insurance	18,153	<b>18,198</b>	27,125	(8,927)
Capital Outlay	100,189	<b>100,065</b>	87,100	12,965
Lease Expense	-	<b>17,132</b>	-	17,132
Equipment Expense/Gasoline	5,031	<b>10,511</b>	7,200	3,311
<b>Total Electric</b>	<u>1,512,861</u>	<u><b>1,624,555</b></u>	<u>1,558,634</u>	<u>65,921</u>
<b>Water Plant</b>				
Personnel Services	79,131	<b>79,544</b>	80,527	(983)
Contractual Services	14,108	<b>10,943</b>	20,000	(9,057)
Commodities	10,313	<b>13,313</b>	13,050	263
Capital Outlay	21,923	<b>9,725</b>	11,300	(1,575)
Insurance	9,229	<b>11,487</b>	8,000	3,487
Utilities	24,518	<b>16,937</b>	20,000	(3,063)
Equipment	1,356	<b>2,161</b>	3,000	(839)
Purchased Water - State	11,875	<b>11,875</b>	12,100	(225)
Water Use Tax	3,920	<b>3,668</b>	4,000	(332)
Chemicals	40,740	<b>25,952</b>	40,000	(14,048)
<b>Water Distribution</b>				
Personnel Services	31,953	<b>39,439</b>	33,538	5,901
Contractual Services	105	<b>90</b>	125	(35)
Commodities	27,386	<b>16,551</b>	29,375	(12,824)
Insurance	7,623	<b>4,180</b>	7,500	(3,320)
Utilities	2,394	<b>1,159</b>	3,500	(2,341)
Equipment	22,707	<b>1,666</b>	9,700	(8,034)
<b>Total Water</b>	<u>\$ 309,281</u>	<u><b>248,690</b></u>	<u>295,715</u>	<u>(47,025)</u>

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

**CITY OF MARION, KANSAS**  
**Utilities Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Sewer</b>				
Personnel Services	\$ 105,351	<b>107,562</b>	105,544	2,018
Contractual Services	1,740	<b>2,118</b>	3,200	(1,082)
Commodities	10,143	<b>13,147</b>	26,766	(13,619)
Insurance	8,416	<b>7,882</b>	10,500	(2,618)
Utilities	18,469	<b>15,930</b>	16,000	(70)
Equipment	10,890	<b>4,440</b>	20,084	(15,644)
Lagoon Utilities	467	-	3,000	(3,000)
<b>Total Sewer</b>	<u>155,476</u>	<u><b>151,079</b></u>	<u>185,094</u>	<u>(34,015)</u>
<b>Refuse</b>				
Personnel Services	68,742	<b>73,402</b>	64,690	8,712
Commodities	19,189	<b>16,603</b>	20,925	(4,322)
Insurance	6,597	<b>6,729</b>	6,500	229
Trash Bags	11,962	<b>10,521</b>	11,899	(1,378)
Equipment	4,514	<b>6,627</b>	2,500	4,127
<b>Total Refuse</b>	<u>111,004</u>	<u><b>113,882</b></u>	<u>106,514</u>	<u>7,368</u>
<b>Other Expenditures</b>				
Transfers Out	<u>584,115</u>	<u><b>535,357</b></u>	<u>588,717</u>	<u>(53,360)</u>
<b>Total Expenditures</b>	<u>2,672,737</u>	<u><b>2,673,563</b></u>	<u>2,734,674</u>	<u>(61,111)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	8,037	<b>168,776</b>		
<b>Unencumbered Cash - Beginning</b>	<u>515,633</u>	<u><b>523,670</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>523,670</u>	<u><b>692,446</b></u>		

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

**CITY OF MARION, KANSAS**  
**Special Law Enforcement Trust Fund**  
Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Forfeited Property	\$ 119	-
<b>Expenditures</b>		
Equipment	169	-
<b>Cash Receipts Over (Under) Expenditures</b>	(50)	-
<b>Unencumbered Cash - Beginning</b>	50	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

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

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**City of Marion, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**Reporting Entity**

The City is a municipal corporation governed by an elected mayor and an elected four-member council. The financial statements of the City consist of all the funds of the City that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The following are component units of **City of Marion, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City. The component units are not included in the City's financial statements.

**Marion Public Library**

The City's library board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the library. Contact the City Clerk for further information.

**Housing Authority of the City of Marion, Kansas**

The City's housing authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Its financial statements are not included in this report. Contact the City to obtain financial statements for the housing authority.

The City is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

**Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

**Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2011.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Governmental Fund Categories**

**General Fund** - to account for all financial resources except those required to be reported in another fund.

**Special Revenue Funds** - to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

**Debt Service Funds** - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Proprietary Fund Category**

**Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Category**

**Private Purpose Trust Funds** - to account for assets held by the City as trustee or agent for others. The principal and income of these funds may be expended in the course of the funds designated operations.

**Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

**Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directly rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue funds: Equipment Reserve Fund and Capital Improvement Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deposits and Investments**

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$1,085,221 and the bank balance was \$1,189,289. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$939,289 was collateralized with securities held by the pledging financial institutions' agent in the City's name.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2011.

**Compensated Absences**

**Vacation**

The City's policy regarding vacation for full-time employees was as follows:

<u>Years of Service</u>	<u>Per Year</u>	<u>Maximum Accumulation</u>
2 to 9 years	2 weeks	None
10 to 19 years	3 weeks	None
After 20 years	4 weeks	None

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Vacation earned may not be taken until the employee completes one year of service. An employee shall be paid for all accumulated unused vacation leave upon termination. A potential liability for accumulated vacation of \$20,984 is shown on the schedule of long-term debt.

**Sick Leave**

The City's policy for sick leave permits full-time employees to earn sick leave at the rate of 8 hours per calendar month up to a maximum of 960 hours. Sick leave will be paid for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. Upon termination of employment, an employee shall not be paid for accumulated sick leave. At retirement, a lump sum payment at the employee's current rate of pay will be made for accumulated sick leave up to a maximum of 240 hours. A potential liability of \$128,897 for accumulated sick leave existed as of December 31, 2011 and is shown on the schedule of long-term debt.

**Compensatory Time**

Compensation for authorized overtime work shall be at the rate of one and one-half times the employee's regular rate of pay. At the discretion of the department head and with the agreement of the employee, an employee may be given compensatory time off in lieu of cash payments for the overtime worked. Any compensatory time shall be at the rate of one and one-half times the hours of overtime worked. Upon termination of employment of a nonexempt employee, the accrued compensatory time will be paid to the employee at the final regular rate of pay received. A potential liability for accumulated compensatory time of \$9,337 is shown on the schedule of long-term debt.

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years. The deferred compensation may be withdrawn by employees before termination, retirement, death or unforeseeable emergency; however, employees are penalized for withdrawing funds before one of these events occur. The first time funds are withdrawn, the employee may not participate in the plan for one year. The second time funds are withdrawn; the employee may not participate in the plan for three years. The third time funds are withdrawn; the employee is disqualified from participating in the plan. The City is not required to make any contributions.

**Defined Benefit Pension Plan**

**Plan Description**

The City contributes to the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2011 was 7.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$54,400, \$50,210, and \$44,263, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2011 was 14.57%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2011, 2010, and 2009 were \$16,577, \$18,370, and \$23,160, respectively, equal to the required contributions for each year as set forth by the legislature.

**Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**Restricted Assets**

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust fund of the City for special purposes.

**Reimbursements**

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

**NOTE 2 – INTERFUND TRANSFERS**

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Marion, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2011

**NOTE 2 – INTERFUND TRANSFERS (continued)**

From	To	Statutory Authority	Amount
Utilities Fund	Bond and Interest Fund	K.S.A. 12-825d	\$ 260,357
Utilities Fund	Capital Improvement Fund	K.S.A. 12-825d	40,000
Utilities Fund	Equipment Reserve Fund	K.S.A. 12-825d	40,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	17,640
Utilities Fund	General Fund	K.S.A. 12-825d	195,000

**NOTE 3 – CAPITAL PROJECTS**

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

Project Name	Project Authorization	Cash Disbursements and Accounts Payable to Date
KLINK Project	\$ 266,667	\$ 0
Water Meter Replacement	215,000	4,549
Jex Sewer Lines	1,227,250	360

**NOTE 4 – LITIGATION**

**City of Marion, Kansas** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

**NOTE 5 – RISK MANAGEMENT**

**City of Marion, Kansas** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, linebacker, law enforcement, workers' compensation, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 6 – GRANTS AND SHARED REVENUES**

**City of Marion, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

**NOTE 7 – COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Marion, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**City of Marion, Kansas** did not publish the third quarter financial statements within 30 days of the quarter ending showing by fund the beginning and ending balances, receipts, and expenditures along with obligation/liability information, which is a violation of K.S.A. 12-1608.

The City violated K.S.A. 79-2935 as expenditures in the Special City Highway Fund were overbudget by \$58,656.

The City violated K.S.A. 10-1113 as the General Fund ending unencumbered cash balance (\$18,971).

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

**City of Marion, Kansas** along with Unified School District No. 408 entered into an agreement Resolution No. 01-08 on June 26, 2001, initiating the establishment of a joint City-School District Recreation Commission. The purpose of the Commission is to organize and coordinate recreational activities to meet the needs of the community.

Management of the Commission is carried out by an appointed five member Commission. The City appoints two members to the Commission, USD No. 408 appoints two members, and the fifth member is appointed collectively by the other four members of the Commission.

Funding is utilized by each entity committing general funds to the recreation program. If additional funding becomes necessary, the agreement states that recommendations should be made to reorganize the Commission to comply with K.S.A 12-1924, *et. seq.* in order to gain authority to levy tax and to seek bonds by elections. The City appropriated \$17,000 for operating expense to the Recreation Commission for 2011.

**NOTE 10 – JOINT VENTURE**

**City of Marion, Kansas** has entered into a joint venture with several of the townships (Center Township, Wilson Township, Gale Township, and Grant Township) surrounding the City. In the agreement, the townships provide all necessary equipment and the City will provide fire protection to these townships.

The City will be compensated for providing this service and reimbursed for maintenance to the equipment, insurance expense, personnel expense, etc. accordingly by the townships prorating this by the amount of fire protection needed by the townships. The joint venture does not issue a separate audit report or separate financial statements. Contact the City Clerk for further information.

**NOTE 11 – INTERLOCAL AGREEMENT**

**City of Marion, Kansas** approved the proposal from Unified School District No. 408 for the City to utilize the school districts' indoor swimming pool facility for public and City recreation use, with the City agreeing to pay \$100,000 annually to USD No. 408 for the life of the bonds and also split net expenses each year equally with the school district, and to be re-evaluated in three years.

The City along with USD No. 408 entered into an interlocal agreement on October 23, 2006 regarding the cooperative use of facilities, equipment, and personnel. The purpose of the agreement states the parties

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**NOTE 11 – INTERLOCAL AGREEMENT (continued)**

agree to execute one or more letter agreements that shall become apart of this agreement. The letters of understanding shall address issues relating to sharing facilities and resources controlled or owned by the parties, and may include use of facilities, access to facilities, equipment, personnel; charges, costs, or fees; site improvements; maintenance responsibilities; duration of use or access; and times and dates of use or access.

On June 4, 2007, the City approved Resolution No.07-02 authorizing the payment of \$100,000 from the City to USD No. 408 pursuant to the interlocal agreement for financing, building, and operation of a swimming pool structure. The authorized payment of \$100,000 was made on or about the 15th day of July, 2007.

The City approved on July 16, 2007, Resolution No.07-03 to augment the prior interlocal agreement between the parties regarding the cooperative use of facilities, equipment, and personnel. The subject of the agreement is to facilitate the joint planning, construction, maintenance, and scheduling and operations of the district owned gymnasium/swimming facilities. The agreement states the parties will develop agreements, policies and procedures that recognize that facilities are intended to be used jointly for school and community recreation purposes for the benefit of district students, the district, and the city at large. In this endeavor, the security, academic, athletic and recreational needs and opportunities of school aged children will be the highest priority and adequately protected.

An agreement dated December 31, 2008 between the City and USD No. 408 was signed serving as written documentation of the procedures and payment dates regarding the 50%-50% shared expenses of the aquatic center. The agreement states "Invoices for 50% of net expenses and documentation of revenue received during the same period will be submitted bi-annually from the School District to the City for the operation period of July 1<sup>st</sup> thru December 31<sup>st</sup> and January 1<sup>st</sup> thru June 30<sup>th</sup> of each calendar year."

"Payment for said invoices will be made on or before August 1<sup>st</sup> and February 1<sup>st</sup> of each year. In the event that the aquatic center generates a profit during either of the above mentioned six month periods, a check for 50% of the profit will be submitted to the City instead of an invoice."

**NOTE 12 – RELATED PARTIES**

The following related party transactions were identified for the City for 2011. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and accordingly, such items are not included below.

Mike Regnier, fire chief - is the co-owner of Marion Auto Supply. The City pays Marion Auto Supply for auto supplies.

Paid \$4,770.22 to Mike for fire chief duties

Paid \$12,820.71 to Marion Auto Supply

Travis Schafers, electrician - The City pays Travis for mowing and picking up loose dogs.

Paid \$40,561.66 for electrician services

Paid \$80.00 for other

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**NOTE 12 – RELATED PARTIES (continued)**

Rick Burcky, a refuse employee – is the owner of Florence Web Computers. The City pays Florence Web Computers for website design.

Paid \$25,954.70 for refuse duties

Paid \$281.90 to Florence Web Computers

**NOTE 13 – LEASE RECEIVABLE**

**City of Marion, Kansas** entered into an unconditional capital lease and purchase agreement for a building and real estate with Arlie's Inc. on November 21, 2007 in which the City is the lessor. Termination of this lease will occur on April 30, 2013. As this lease is unconditional, the City has lease payments receivable for the years ending 2012 and 2013 of \$18,508, and \$249,473, respectively.

The City entered into an unconditional capital lease and purchase agreement for a building and real estate with Cardie Oil, Inc. on July 30, 2007 in which the City is the lessor. Termination of this lease will occur on November 1, 2013. As this lease is unconditional, the City has lease payments receivable for the years ending 2012 and 2013 of \$20,411, and \$193,406, respectively.

**NOTE 14 – DEBT RESTRICTIONS AND COVENANTS**

KDOT Revolving Loan

**City of Marion, Kansas** entered into a loan agreement with the Kansas Department of Transportation on February 11, 2008 to fund qualified project costs of a transportation project in the amount of \$1,122,665. As of December 31, 2011, this project was not complete and \$0 was drawn from this loan during the current year. The loan agreement requires the City to have a minimum of \$500,000 general liability insurance coverage policy in effect during the course of this loan agreement. The City is in compliance with this requirement as of December 31, 2011.

**NOTE 15 – DEBT DEFEASANCE**

On December 1, 2011, the City issued \$840,000 in general obligation bonds – Series 2011 with an interest rate of 0.50 to 2.20% for the purpose of providing funds for the refunding of \$800,000 in Series 2001A general obligation bonds. The general obligation bonds were issued at a discount and, after paying issuance costs, the net proceeds were \$809,849, of which all was used for the current refunding of the Series 2001A Bonds. As a result of the current refunding of the bond, the economic gain to the City (the difference between the present value of the old and new bonds) was \$105,012.

**NOTE 16 – LONG-TERM DEBT**

**City of Marion, Kansas** has the following types of long-term debt.

**General Obligation Bonds** - On July 1, 2001, the City issued \$1,274,000 in general obligation bonds Series 2001-A for the purpose of internal improvements.

On September 1, 2005, the City issued \$885,000 in general obligation bonds – Series 2005-A for the purpose of internal improvements.

On October 9, 2006, the City issued \$1,340,000 in general obligation bonds – Series 2006 for the purpose of internal improvements.

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**NOTE 16 – LONG-TERM DEBT (continued)**

On December 15, 2007, the City issued \$81,000 in general obligation refunding bonds Series 2007 for the purpose of internal improvements.

On August 1, 2009, the City issued \$70,000 in general obligation refunding bonds Series 2009 for the purpose of internal improvements.

On July 15, 2010, the City issued \$585,000 in general obligation refunding bonds Series 2010 for the purpose of internal improvements.

On December 1, 2011, the City issued \$840,000 in general obligation refunding bonds Series 2011 for the purpose of internal improvements.

**Revenue Bond** - On February 11, 2008, the City entered into a loan agreement with the Kansas Department of Transportation for the purpose of internal transportation improvements.

**Capital Leases** - The City has entered into several capital lease agreements with options to purchase the equipment at the expiration of the lease term. The leases contain a fiscal funding clause.

The changes in long-term debt and the maturity of long-term debt are disclosed on the following two pages.

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**NOTE 16 - LONG-TERM DEBT (continued)**

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>										
Series 2001A	4.50-6.00%	2001	\$ 1,274,000	2021	\$ 860,000	-	860,000	(860,000)	-	42,095
Series 2005A	2.90-3.70%	2005	885,000	2014	420,000	-	100,000	(100,000)	320,000	13,220
Series 2006	4.25%	2006	1,340,000	2046	1,283,519	-	15,691	(15,691)	1,267,828	54,550
Series 2007	4.90%	2007	81,000	2018	70,000	-	7,000	(7,000)	63,000	3,430
Series 2009	5.25%	2009	70,000	2019	65,000	-	6,000	(6,000)	59,000	3,413
Series 2010	1.95-3.50%	2010	585,000	2020	585,000	-	45,000	(45,000)	540,000	19,883
Series 2011	0.50-2.20%	2011	840,000	2021	-	840,000	-	840,000	840,000	9,849
<b>Total General Obligation Bonds</b>					<u>3,283,519</u>	<u>840,000</u>	<u>1,033,691</u>	<u>(193,691)</u>	<u>3,089,828</u>	<u>146,440</u>
<b>Revolving Debt</b>										
KDOT Revolving Loan	3.76%	2008	1,122,665	2027	773,009	-	33,301	(33,301)	739,708	29,065
<b>Capital Leases</b>										
Cardie Building	4.35%	2007	229,200	2013	209,512	-	11,208	(11,208)	198,304	6,792
Steel Building	4.00%	2007	128,780	2011	81,876	-	81,876	(81,876)	-	1,000
Arlies Building	5.10%	2008	254,519	2013	245,292	-	4,322	(4,322)	240,970	12,267
Case Loader	3.60%	2010	129,000	2015	129,000	-	26,033	(26,033)	102,967	4,582
Electric Meters	3.75%	2011	117,000	2016	-	117,000	14,323	102,677	102,677	2,810
Steel Building	5.00%	2011	67,256	2016	-	67,256	-	67,256	67,256	-
<b>Total Capital Leases</b>					<u>665,680</u>	<u>184,256</u>	<u>137,762</u>	<u>46,494</u>	<u>712,174</u>	<u>27,451</u>
<b>Compensated Absences</b>					<u>197,250</u>	<u>-</u>	<u>-</u>	<u>(38,032)</u>	<u>159,218</u>	<u>-</u>
<b>Total Long-Term Debt</b>					<u>\$ 4,919,458</u>	<u>1,024,256</u>	<u>1,204,754</u>	<u>(218,530)</u>	<u>4,700,928</u>	<u>202,956</u>

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**NOTE 16 - LONG-TERM DEBT (continued)**

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR											Total
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	
<b>Principal</b>												
General Obligation Bonds	\$ 285,210	216,047	283,771	184,527	195,175	855,435	134,760	165,946	204,278	251,664	313,015	<b>3,089,828</b>
Revolving Debt	34,553	35,852	37,200	38,599	40,050	224,005	269,407	60,042	-	-	-	<b>739,708</b>
Capital Leases	70,285	487,892	64,128	66,572	23,297	-	-	-	-	-	-	<b>712,174</b>
<b>Total Principal</b>	<b>390,048</b>	<b>739,791</b>	<b>385,099</b>	<b>289,698</b>	<b>258,522</b>	<b>1,079,440</b>	<b>404,167</b>	<b>225,988</b>	<b>204,278</b>	<b>251,664</b>	<b>313,015</b>	<b>4,541,710</b>
<b>Interest</b>												
General Obligation Bonds	94,121	89,534	82,110	82,110	72,675	282,761	134,760	185,152	146,764	99,490	41,269	<b>1,310,746</b>
Revolving Debt	27,813	26,514	25,366	25,366	22,316	87,825	42,424	2,258	-	-	-	<b>259,882</b>
Capital Leases	29,937	15,510	5,367	5,367	808	-	-	-	-	-	-	<b>56,989</b>
<b>Total Interest</b>	<b>151,871</b>	<b>131,558</b>	<b>112,843</b>	<b>112,843</b>	<b>95,799</b>	<b>370,586</b>	<b>177,184</b>	<b>187,410</b>	<b>146,764</b>	<b>99,490</b>	<b>41,269</b>	<b>1,627,617</b>
<b>Total Principal and Interest</b>	<b>\$ 541,919</b>	<b>871,349</b>	<b>497,942</b>	<b>402,541</b>	<b>354,321</b>	<b>1,450,026</b>	<b>581,351</b>	<b>413,398</b>	<b>351,042</b>	<b>351,154</b>	<b>354,284</b>	<b>6,169,327</b>