

City of Marion, Illinois
Financial Statements
April 30, 2012

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GRAY HUNTER STENN LLP

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

CERTIFIED PUBLIC ACCOUNTANTS

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MARION, ILLINOIS
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Independent Auditors' Report

Honorable Mayor and Commissioners
City of Marion
Marion, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Illinois as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Marion, Illinois. 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Illinois as of April 30, 2012, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the City of Marion, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 16 and 75 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marion, Illinois' financial statements as a whole. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the City of Marion, Illinois. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gray Hunter Stenn LLP

Marion, Illinois
November 26, 2012

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Commissioners
City of Marion
Marion, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marion, Illinois, as of and for the year ended April 30, 2012, which collectively comprise the City of Marion's basic financial statements and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Marion, Illinois, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Marion, Illinois' internal control over financial reporting as a basis for designing our auditing procedures 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 of Marion, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Marion, Illinois' internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marion, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Marion, Illinois, in a separate letter dated November 26, 2012.

This report is intended solely for the information and use of management, the mayor and commissioners of the City of Marion, Illinois, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Gray Hunter Stenn LLP

Marion, Illinois
November 26, 2012

MARION, ILLINOIS
QUINCY, ILLINOIS

OAK BROOK, ILLINOIS
SYCAMORE, ILLINOIS

**Independent Auditors' Report on Compliance with Requirements
Than Could Have a Direct and Material Effect on Each Major Program and On
Internal Control Over Compliance in Accordance with OMB Circular A-133**

Honorable Mayor and Commissioners
City of Marion
Marion, Illinois

Compliance

We have audited the compliance of City of Marion, Illinois, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2012. City of Marion, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Marion, Illinois' management. Our responsibility is to express an opinion on City of Marion, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Marion, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Marion, Illinois' compliance with those requirements.

In our opinion, City of Marion, Illinois, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2012.

Internal Control Over Compliance

The management of City of Marion, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Marion, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Marion, Illinois' internal control over compliance.

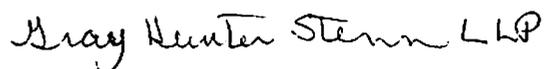
A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement 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.

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

City of Marion, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Marion, Illinois' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the mayor and commissioners of the City of Marion, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Marion, Illinois
November 26, 2012

CITY OF MARION, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2012

The City of Marion's (the "City") discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 17).

USING THIS ANNUAL REPORT

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see pages 17-18) are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see page 18) is focused on both the gross and net cost of various activities (including governmental, business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The Governmental Activities reflect the City's basic services, including police, fire, public works, culture and recreation and administration. Shared state sales tax, home rule sales tax and shared state income tax finance the majority of these services. The Business-type Activities reflect private sector type operations (Water and Wastewater) where the fee for service typically covers all or most of the cost of operation, including depreciation.

2011 balances in tables one and two have been restated to reflect 2012 reclassifications.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types.

The Governmental Major Fund (see pages 19 and 21) presentation is presented on a sources and uses of liquid resources basis. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses associated therewith.

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police Pension and Firefighters Pension Funds). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

While the Business-type Activities column on the Proprietary Fund Financial Statements (see pages 23-25) is the same as the Business-type column on the Government-Wide Financial Statement, the Governmental Major Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 20 and 22). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into Governmental Activities column (in the Governmental-wide statements).

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – roads, bridges, storm sewers, etc.) have not been reported nor depreciated in governmental financial statements. This new statement requires that that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation.

The City has chosen to depreciate assets over their useful life. If a road project is considered maintenance - a recurring cost that does not extend the road's original useful life or expand its capacity – the cost of the project will be expensed.

GOVERNMENT-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

Table 1
Statement of Net Assets
As of April 30, 2012
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$30,442	\$27,151	\$ 3,117	\$ 3,197	\$ 33,559	\$ 30,348
Capital assets	66,169	64,621	27,524	26,069	93,693	90,690
Total assets	\$96,611	\$91,772	\$ 30,641	\$ 29,266	\$ 127,252	\$ 121,038
Current liabilities	\$ 7,710	\$ 8,463	\$ 995	\$ 1,168	\$ 8,705	\$ 9,631
Noncurrent liabilities	31,271	18,838	12,092	12,397	43,363	31,235
Total liabilities	\$38,981	\$27,301	\$ 13,087	\$ 13,565	\$ 52,068	\$ 40,866
Net assets:						
Invested in capital assets, Net of related debt	\$48,419	\$48,260	\$ 16,062	\$ 14,045	\$ 64,481	\$ 62,305
Restricted	7,997	6,974	1,040	1,417	9,037	8,391
Unrestricted	1,214	9,237	452	239	1,666	9,476
Total net assets	\$57,630	\$64,471	\$ 17,554	\$ 15,701	\$ 75,184	\$ 80,172

For more detailed information see the Statement of Net Assets (page 17).

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation:

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted assets.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase invested in capital assets and an increase in related new debt which will not change the invested in capital assets, net of debt.

Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

Current year impacts

The City's \$4.988 million decrease of combined net assets (which is the City's bottom line) was the result of the governmental activities decreasing by \$6.841 million and business-type activities increasing by \$1.853 million. Governmental unrestricted net assets decreased by \$8.023 million. This large decrease was due to a combination of items. A large decrease was due to a contribution made by the City to the State of Illinois for infrastructure improvements as explained in Financial Statement's Footnote 1P. Another large decrease was to the \$2.069 million to pay off the debt of the Williamson County Events Commission as explained in Financial Statements Footnotes 1P and 11. Both of these decreases are shown as special items on the Statement of Activities on page 18. These two large decreases were offset by a donation of land in the amount of \$1.383 million for infrastructure improvements. The remaining decrease was due to the additional accrual of post employment benefits other than pension. Business-type unrestricted net assets increased by \$213 thousand. The largest amount of the increase was due to an increase in water and sewer revenue due to raising of rates and the replacing all meters of size one and one/half inches and above. For the current year the governmental activities total revenue exceeded the total expenses by \$1.619 million and business-type activities total revenue exceeded total expense by \$402 thousand. See Table 2 and the related explanation for further detail.

Changes in Net Assets

The following table represents the condensed statement of Changes in Net Assets.

Table 2
Changes in Net Assets
For the Fiscal Year Ended April 30, 2012
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 940	\$ 809	\$ 6,055	\$ 5,814	\$ 6,995	\$ 6,623
Operating grants and Contributions	1,372	945	-	-	1,372	945
Capital grants and Contributions	1,686	816	1,094	218	2,780	1,034
General revenues:						
Property taxes	5,877	5,888	-	-	5,877	5,888
Sales Tax (shared and Home rule)	13,231	12,751	-	-	13,231	12,751
Other taxes	2,956	2,482	-	-	2,956	2,482
Special items	(9,069)	-	-	-	(9,069)	-
Transfers	(646)	(156)	646	156	-	-
Other	250	185	102	36	352	221
Total Revenues	\$ 16,597	\$ 23,720	\$ 7,897	\$ 6,224	\$ 24,494	\$ 29,944
EXPENSES:						
General government	\$ 2,947	\$ 3,288	\$ -	\$ -	\$ 2,947	\$ 3,288
Public health and safety	7,739	7,398	-	-	7,739	7,398
Streets, alleys & cemeteries	3,850	3,965	-	-	3,850	3,965
Culture and recreation	2,379	1,814	-	-	2,379	1,814
Development	4,321	4,154	-	-	4,321	4,154
Debt service	762	883	-	-	762	883
Unallocated Depreciation	1,427	1,816	-	-	1,427	1,816
Water	-	-	3,352	3,197	3,352	3,197
Sewer	-	-	2,692	2,737	2,692	2,737
Total Expenses	\$ 23,425	\$ 23,318	\$ 6,044	\$ 5,934	\$ 29,469	\$ 29,252
Change in Net Assets	\$ (6,828)	\$ 402	\$ 1,853	\$ 290	\$ (4,975)	\$ 692

Normal Impacts

Revenues:

Economic Condition – which can reflect a declining, stable or growing economic environment and has a substantial impact on state income, and sales tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in City Approved Rates – while certain rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (water, wastewater, impact fees, building fees, home rule sales tax, etc.).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year to year comparisons.

Market Impacts on Investment Income – the City's investment portfolio is managed using a short-term average maturity and the market condition may cause investment income to fluctuate less than alternative longer-term options.

Expenses:

Introduction of New Programs – within the functional expense categories (Public Safety, Public Works, General Government, etc.) individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel – changes in service demand may cause the City Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 51.5% of the City's operating cost.

Salary Increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity specific increases.

Current Year Impacts

Governmental Activities

Revenue:

After removing the effect of the special items, total revenues increased by \$1.946 million from the prior year. Most revenue classifications were comparable to the prior year except for a few items. The City received a large donation of land in regards to a large road project in the amount of \$1.382 million. This donation is included in the capital grants and contributions line item. Transfers were up due to water line relocations being paid with Tax Increment Financing funds and transferred to the Water Department.

Operating grants and contributions were up by \$427 thousand with \$190 thousand being for a school sidewalk grant and \$50 thousand reimbursement received from the State for road work. Sales tax increased by \$480 thousand which is a good sign for the City in light of the nation's economic woes.

Expenses:

Total expenses increased by only \$107 thousand over the prior year. General government decreased by \$341 thousand. The overall General government decrease was attributable to decreases in attorney fees and a City Hall programs. Public health and safety increased by \$341 thousand. Over 50% of the increase was due to Health insurance costs including Health Reimbursement Accounts payments. The remaining was due to salaries, related benefits and other operating costs.. Streets, alleys, and cemeteries' line item decreased by \$115 thousand. The overall decrease was attributable to \$428 thousand of American Recovery and Reinvestment Act monies being spent on road asphaltting. The Development line item consists mainly of payments to developers in the TIF districts and sales tax reimbursement agreements for developers located outside the TIF districts. Payroll expense increased by \$217 thousand (2.76%). Hospitalization insurance expense increased by \$245 thousand (15.1%) The City also incurred an increase in the Illinois Municipal Retirement Fund expense, Police Pension Fund expense and the Firefighters Pension Fund expense. See the Notes to Financial Statements for a detailed analysis of the various pension funds.

Business-type Activities

Revenues:

Total revenues decreased \$1.673 million from the prior year. The increase was attributable to the increase of \$876 thousand in capital grants due to two large sewer projects which began during the current year. Charges for services increased \$241 thousand over prior year. Transfers were up by \$490 thousand due to water relocations being paid with Tax Increment Financing funds and transferred to the Water Department.

Expenses:

Total expenses increased \$110 thousand over the prior year with the Water Department having a \$155 thousand increase over prior year with the Sewer Department having a \$45 thousand decrease over prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

At April 30, 2012, the governmental funds (as presented on the balance sheet on page 19) reported a fund balance of \$19.138 million, which is a 7.3% increase from the beginning of the year (\$17.833 million). For the current year the semi-autonomous departments have been considered part of General Fund and have not been included under Other Governmental Funds. The following information has considered this reclassification. Of the total fund balance of \$19.138 million, \$6.729 million is unassigned general fund types indicating availability for the continuing City services. Total general fund types revenue increased by \$1.390 million from prior year. Increase is attributable to the a \$480 thousand increase in sales tax, a \$463 thousand increase in grant revenues of which \$265 thousand were new monies for housing rehabilitation, a \$302 thousand increase in other taxes and franchise fee as a result of the new hotel occupational tax. The remaining income categories had a decrease \$120 thousand over the prior year. TIF Redevelopment Funds fund balance increased \$275 thousand from prior year. Increase was a result of increase in revenue and a decrease in expenditures.

General Fund Budgetary Highlights

The City uses the Appropriation Ordinance as the means to provide legal authority to allocate funds to specific spending activities. In each fund the City provides a contingency of approximately 5% of the funds to be used in areas where there is over spending. The council also provides for at the time of appropriation transfers between line item appropriations within a department. If required the City passes a supplemental appropriation to approve the spending of funds which were not anticipated. The Appropriation Ordinance is on the cash basis of accounting.

General Fund	Original Budget	Amended Budget	Actual
Expenditures			
General government	\$ 4,194	\$ 4,194	\$ 3,064
Public health and safety	8,129	8,129	7,129
Streets, alleys & Cemeteries	3,035	3,035	2,654
Cultural & recreation	1,652	2,327	2,092
Development	845	1,195	974
Total	\$ 17,855	\$ 18,880	\$ 15,913

Capital Assets

At the end of Fiscal year 2012, the City's Governmental Funds had invested \$66 million, net of depreciation (see Notes to Financial Statements #9) in a variety of capital assets and infrastructure as reflected in the following schedule.

Table 3
Governmental Funds
Change in Capital Assets
(in thousands)

	Balance April 30, 2011	Net Additions/ Deletions	Balance April 30, 2012
Non-depreciable Assets			
Land	\$ 23,622	\$ 266	\$ 23,888
Construction in Progress	1,043	1,597	2,640
Other Capital Assets			
Infrastructure	48,121	1,369	49,490
Parking Lot Improvements	92	-	92
Buildings	19,214	271	19,485
Machinery and Equipment	2,459	327	2,786
Vehicles	3,404	30	3,434
Software	86	-	86
Land Improvements	220		220
Less Accumulated Depreciation on Other Capital Assets	(33,641)	(2,311)	(35,952)
Totals	\$ 64,620	\$ 1,549	\$ 66,169

The increase in construction in progress was due to several large street projects totaling \$3.6 million with a total of \$1.369 million being transferred into infrastructure and \$634 thousand being transferred to water and sewer departments.

Debt Outstanding

The City of Marion has an AA- stable rating with Standard and Poor's Ratings Service. As a home rule authority, the City does not have a legal debt limit. As of April 30, 2012, the City had total long-term debt and loans payable of \$40 million.

Table 4
Changes in Long-Term Debt
(in thousands)

	Balance April 30, 2011	Net Additions/ Deletions	Balance April 30, 2012
Governmental Activities			
General Obligation Debt	\$ 15,782	\$ 3,893	\$ 19,675
Other Contractual Liabilities	1,029	7,804	8,833
Governmental Activities Total	16,811	11,697	28,508
Business Activities			
General Obligation Debt	4,909	(415)	4,494
Other Contractual Liabilities	7,075	(74)	7,001
Business Activities Total	11,984	(489)	11,495
Total Long-Term Debt	\$ 28,795	\$ 11,208	\$ 40,003

The City's largest bond obligation is for the financing of the Illinois Centre Mall and surrounding area infrastructure. The City during the year incurred two new bond issues, The City on May 19, 2011 issued \$3.115 million General Obligation Bonds, Series 2011A (2011A Bonds) to purchase \$3.050 million Special Service Area Number 2 Unlimited Ad Valorem Tax Refunding Bonds, Series 2011B (2011B Bonds). The City intends to retire its 2011A Bonds from the income received on its investment in the 2011B Bonds. The 2011B Bonds are payable from ad valorem property taxes levied against all property within the SSA.

The City on May 21, 2011 issued \$2.2 million in Hotel Taxes Refunding Revenue Bonds (Limited General Revenue Pledge). The bonds were issued to pay off existing debt owed by the Williamson County Commission in order for the City to take over operations of the Williamson County Pavilion.

The City also incurred \$8 million in obligations to the State of Illinois at zero percent interest payable over 15 years. The \$8 million represents reimbursement to the State of expenditures incurred by it on two major road projects occurring in and around the City.

Economic Factors

During this fiscal year, as in the previous fiscal year, the economy continued to be a major concern with unemployment and public uncertainty over the economy as major factors impacting Marion's growth. Unemployment over the fiscal year was a low of 7.5 in April 2012, and a high of 9.9% in January 2012. The 12 month average for the fiscal year was 8.9%. Contrary to the preceding economic factors commercial building permits increased 20% in cost of the buildings, while decreasing in the number of permits by 17%, new home permits showed an increase in the amount of dollars with over \$3,000,000 year over year, even though the number of permits decreased, and apartment building permits saw an increase of 6%. A total of 80 building permits were issued in the fiscal year which includes apartments, additions, commercial and homes compared to 96 in the previous year permits, whereas, the total dollars invested in these buildings was \$21,339,726. compared to 2011's \$17,115,184.

Economic growth is still on the rise as shown by a stable and slightly increasing retail sales tax. Target has reaffirmed their commitment as an anchor to Illinois Star Center Mall by a \$2,000,000 renovation and expansion to their existing store. Other retail stores have added to the Marion economy and two hotels, one large franchise restaurant have opened in 2012 with another restaurant set to open in November 2012. In addition the one-million square foot building formerly known as Circuit City Distribution Center has been purchased and its new landlord is actively seeking a new tenant.

The City continues to be optimistic about future economic growth predictions due to the passage of Illinois Innovation Development and Economy Act (50 ILCS470/5) also known as the STAR bond destination development which was approved for Marion in 2010. This STAR bond development will be the first of its kind in Illinois and is seen as an economic development tool designed to generate destination retail, restaurants and entertainment which will result in new jobs and thousands of tourists to destination Marion. Although a second year has passed since the approval of the district, the master developers have obtained two letters of intent from major retailers to anchor the STAR bond area.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Steve Hale, City Treasurer, City of Marion, 1102 Tower Square, Marion, IL 62959.

**City of Marion, Illinois
Statement of Net Assets
April 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 9,823,127.45	\$ 778,795.20	\$ 10,601,922.65
Restricted cash	1,515,781.26	1,040,329.70	2,556,110.96
Investments	3,512,595.79	-	3,512,595.79
Restricted Investments	109,145.56	-	109,145.56
Receivables, net			-
Property taxes	6,090,613.47	-	6,090,613.47
Sales taxes	3,377,843.00	-	3,377,843.00
Accrued interest	69,003.63	-	69,003.63
Accounts receivable	231,609.03	581,536.17	813,145.20
Loans receivable	1,352,337.58	-	1,352,337.58
Bonds receivable	2,785,000.00	-	2,785,000.00
Due from other governments	911,639.54	629,386.00	1,541,025.54
Inventories	-	235,165.93	235,165.93
Capital assets, non-depreciable	26,528,921.51	5,021,266.89	31,550,188.40
Capital assets, net of accumulated depreciation	39,640,122.76	22,231,092.02	61,871,214.78
Due from other funds	(11,465.50)	12,265.50	800.00
Net pension asset	443,010.00	-	443,010.00
Deposits	3,000.00	-	3,000.00
Other assets	228,881.85	111,438.39	340,320.24
Total Assets	\$ 96,611,166.93	\$ 30,641,275.80	\$ 127,252,442.73
Liabilities			
Accounts payable	\$ 929,203.05	323,685.73	\$ 1,252,888.78
Accrued payroll	151,673.31	21,664.59	173,337.90
Accrued payroll related expenses	118,003.79	-	118,003.79
Accrued interest payable	105,271.65	46,568.64	151,840.29
Accrued vacation payable	315,162.91	72,105.57	387,268.48
Customer deposits	-	530,789.73	530,789.73
Deferred Revenues	6,090,613.47	-	6,090,613.47
Long-term liabilities			
Due within one year	1,956,484.93	885,887.09	2,842,372.02
Due in more than one year	26,236,384.61	10,536,928.41	36,773,313.02
Other liabilities	3,078,162.00	669,420.00	3,747,582.00
Total Liabilities	\$ 38,980,959.72	\$ 13,087,049.76	\$ 52,068,009.48
Net Assets			
Invested in capital assets, net of related debt	\$ 48,418,691.26	16,061,850.16	\$ 64,480,541.42
Restricted for:			
Donor restricted expenditures	222,169.56	-	222,169.56
Future loans	1,523,715.51	-	1,523,715.51
Public safety expenditures	510,114.28	-	510,114.28
Development	3,430,420.01	-	3,430,420.01
Debt Service	1,186,400.32	1,040,329.70	2,226,730.02
Grant expenditures	1,164.71	-	1,164.71
Maintenance of roadways	1,123,030.23	-	1,123,030.23
Unrestricted	1,214,501.33	452,046.18	1,666,547.51
Total Net Assets	\$ 57,630,207.21	\$ 17,554,226.04	\$ 75,184,433.25

See accompanying notes to financial statements.

City of Marion, Illinois
Statement of Activities
For the Year Ended April 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 2,947,126.25	\$ 199,751.05	\$ 238,805.79	\$ -	\$ (2,508,569.41)		\$ (2,508,569.41)
Public health and safety	7,739,122.23	227,626.94	217,287.76	-	(7,294,207.53)		(7,294,207.53)
Streets, alleys and cemeteries	3,850,271.41	92,440.68	558,501.28	1,387,338.82	(1,811,990.63)		(1,811,990.63)
Culture and recreation	2,378,823.33	370,880.66	153,977.07	33,776.93	(1,820,188.67)		(1,820,188.67)
Development	4,321,029.43	49,650.27	203,361.22	265,207.00	(3,802,810.94)		(3,802,810.94)
Debt service	762,035.76	-	-	-	(762,035.76)		(762,035.76)
Unallocated depreciation expense	1,426,626.57	-	-	-	(1,426,626.57)		(1,426,626.57)
Total Governmental Activities	\$ 23,425,034.98	\$ 940,349.60	\$ 1,371,933.12	\$ 1,686,322.75	\$ (19,426,429.51)		\$ (19,426,429.51)
Business-Type Activities							
Water	\$ 3,351,965.09	\$ 3,267,614.37	\$ -	\$ 76,070.31		\$ (8,280.41)	\$ (8,280.41)
Sewer	2,692,360.46	2,788,082.91	-	1,094,207.00		1,189,929.45	1,189,929.45
Total Business-Type Activities	\$ 6,044,325.55	\$ 6,055,697.28	\$ -	\$ 1,170,277.31		\$ 1,181,649.04	\$ 1,181,649.04
Totals	\$ 29,469,360.53	\$ 6,996,046.88	\$ 1,371,933.12	\$ 2,856,600.06	\$ (19,426,429.51)	\$ 1,181,649.04	\$ (18,244,780.47)
General Revenues							
Taxes							
Property taxes					\$ 5,876,897.04	\$ -	\$ 5,876,897.04
Sales taxes					13,230,884.74	-	13,230,884.74
Other taxes and franchise fees					1,476,058.68	-	1,476,058.68
Intergovernmental					1,479,662.13	-	1,479,662.13
Investment income					86,827.26	1,402.53	88,229.79
Miscellaneous					162,476.79	24,518.36	186,995.15
Special item - donation to State of Illinois					(7,000,000.00)	-	(7,000,000.00)
Special item - payment to pavilion bondholders					(2,068,948.09)	-	(2,068,948.09)
Transfers					(645,544.37)	645,544.37	-
Total General Revenues, Special Items, and Transfers					\$ 12,598,314.18	\$ 671,465.26	\$ 13,269,779.44
Change in Net Assets					\$ (6,828,115.33)	\$ 1,853,114.30	\$ (4,975,001.03)
Net Assets - Beginning of Year					64,471,284.94	15,701,111.74	\$ 80,172,396.68
Residual equity transfer					(12,962.40)	-	(12,962.40)
Net Assets - End of Year					\$ 57,630,207.21	\$ 17,554,226.04	\$ 75,184,433.25

See accompanying notes to financial statements.

**City of Marion, Illinois
Governmental Funds
Balance Sheet
April 30, 2012**

	General Fund	TIF Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,466,254.75	\$ 3,813,840.10	\$ 1,338,935.51	\$ 9,619,030.36
Restricted cash and cash equivalents	370,810.14	-	1,186,400.32	1,557,210.46
Investments	3,512,139.82	-	1,833.77	3,513,973.59
Restricted investments	67,716.36	-	-	67,716.36
Property taxes receivable	1,107,300.00	4,501,598.00	481,715.47	6,090,613.47
Sales taxes receivable	3,377,843.00	-	-	3,377,843.00
Accrued interest receivable	17,945.30	-	-	17,945.30
Loans receivable	-	-	1,352,337.58	1,352,337.58
Due from other funds	-	14,627.50	202,265.93	216,893.43
Due from other governments	878,261.21	-	33,378.33	911,639.54
Accounts receivable	145,366.96	-	86,242.07	231,609.03
Total Assets	\$ 13,943,637.54	\$ 8,330,065.60	\$ 4,683,108.98	\$ 26,956,812.12
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 291,163.46	\$ 398,047.59	\$ 239,992.00	\$ 929,203.05
Due to other funds	184,185.93	-	30,300.00	214,485.93
Deferred revenue	957,300.00	4,501,598.00	631,715.47	6,090,613.47
Accrued payroll	151,673.31	-	-	151,673.31
Accrued vacation	315,162.91	-	-	315,162.91
Accrued payroll related expenses	118,003.79	-	-	118,003.79
Total Liabilities	\$ 2,017,489.40	\$ 4,899,645.59	\$ 902,007.47	\$ 7,819,142.46
Fund Balances				
Nonspendable	\$ -	\$ -	\$ 1,000.00	\$ 1,000.00
Restricted	285,495.47	3,430,420.01	3,965,267.74	7,681,183.22
Assigned	480,804.29	-	-	480,804.29
Committed	4,430,677.50	-	-	4,430,677.50
Unassigned	6,729,170.88	-	(185,166.23)	6,544,004.65
Total Fund Balances	\$ 11,926,148.14	\$ 3,430,420.01	\$ 3,781,101.51	\$ 19,137,669.66
Total Liabilities and Fund Balances	\$ 13,943,637.54	\$ 8,330,065.60	\$ 4,683,108.98	\$ 26,956,812.12

See accompanying notes to financial statements.

City of Marion, Illinois
Reconciliation of the Governmental Fund Balances to the Governmental Activities in
the Statement of Net Assets
April 30, 2012

Total Fund Balances of Governmental Funds	\$ 19,137,669.66
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental activities of the governmental funds.	66,172,044.27
Interest payable is recorded in the Statement of Activities when incurred; these costs are recorded in governmental funds as expense when paid.	(105,271.65)
The assets and liabilities of the health reimbursement fund are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	188,846.29
Long-term liabilities, including bonds and notes payable are not due and payable in the current period and therefore, are not reported in the governmental funds. Other related amounts include bond issue costs, OPEB costs and pension assets.	<u>(27,763,081.36)</u>
Net Assets of Governmental Activities	<u>\$ 57,630,207.21</u>

See accompanying notes to financial statements.

**City of Marion, Illinois
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2012**

	General Fund	TIF Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 921,613.96	\$ 4,659,549.80	\$ 664,179.11	\$ 6,245,342.87
Sales tax	13,230,884.74	-	-	13,230,884.74
Grant revenue	684,720.21	190,068.72	53,998.42	928,787.35
Licenses and permits	80,003.92	-	-	80,003.92
Intergovernmental revenue	1,479,662.13	-	508,501.28	1,988,163.41
Service charges and fees	660,896.70	-	160,947.98	821,844.68
Other taxes and franchise fees	1,004,464.00	-	514,051.43	1,518,515.43
Investment income	80,909.76	3,799.93	2,117.57	86,827.26
Miscellaneous revenue	381,411.72	13,682.90	1,200.00	396,294.62
Restricted donations	39,832.56	-	-	39,832.56
Total Revenues	\$ 18,564,399.70	\$ 4,867,101.35	\$ 1,904,995.79	\$ 25,336,496.84
Expenditures				
General government	\$ 3,072,928.63	\$ -	\$ -	\$ 3,072,928.63
Public health and safety	7,163,766.79	-	70,860.90	7,234,627.69
Streets, alleys and cemeteries	2,871,982.19	1,131,857.01	1,221,277.77	5,225,116.97
Culture and recreation	2,363,039.35	-	-	2,363,039.35
Development	990,158.00	3,318,971.24	11,900.19	4,321,029.43
Debt Service	90,463.68	-	2,013,879.55	2,104,343.23
Total Expenditures	\$ 16,552,338.64	\$ 4,450,828.25	\$ 3,317,918.41	\$ 24,321,085.30
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,012,061.06	\$ 416,273.10	\$ (1,412,922.62)	\$ 1,015,411.54
Other Financing Sources (Uses)				
Transfers in (out)	\$ (1,619,725.32)	\$ (141,531.40)	\$ 1,761,256.72	\$ -
Proceeds from long-term debt	5,352,880.34	-	-	5,352,880.34
Total Other Financing Sources (Uses)	\$ 3,733,155.02	\$ (141,531.40)	\$ 1,761,256.72	\$ 5,352,880.34
Special item - payment to SSA bondholders	\$ (2,981,339.27)	\$ -	\$ -	\$ (2,981,339.27)
Special item - payment to Pavilion bondholders	(2,068,948.09)	-	-	(2,068,948.09)
Total Special Items	\$ (5,050,287.36)	\$ -	\$ -	\$ (5,050,287.36)
Net Change in Fund Balances	\$ 694,928.72	\$ 274,741.70	\$ 348,334.10	\$ 1,318,004.52
Fund Balances - Beginning of Year	11,164,509.79	3,155,678.31	3,512,439.44	17,832,627.54
Residual equity transfer	66,709.63	-	(79,672.03)	(12,962.40)
Fund Balances - End of Year	\$ 11,926,148.14	\$ 3,430,420.01	\$ 3,781,101.51	\$ 19,137,669.66

See accompanying notes to financial statements.

City of Marion, Illinois
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended April 30, 2012

Net Change in Fund Balances - Total Governmental Funds		\$ 1,318,004.52
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
The issuance of long-term debt provides current financial resources to governmental funds, but not in the Statement of Activities		(6,409,981.34)
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the Statement of Activities.		
Depreciation expense	(2,322,582.54)	
Capital assets transferred to other funds	(645,544.37)	
Capital asset purchases, capitalized	3,136,742.50	168,615.59
The effect of various transactions involving capital assets (sales, trade-ins, and contributions) is to increase net assets.		1,382,950.00
Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore are not reported as expenditures in governmental funds.		(7,988,653.98)
Accrued interest expense on long-term debt is reported in the Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.		(24,021.38)
The repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		4,791,579.85
The Health Reimbursement fund is used by management to charge the costs of health insurance reimbursements to individual funds. The net revenue (expense) is reported with governmental activities.		(66,608.59)
Change in Net Assets of Governmental Activities		(6,828,115.33)

See accompanying notes to financial statements.

**City of Marion, Illinois
Proprietary Funds
Statement of Net Assets
April 30, 2012**

	<u>Enterprise Funds</u>		
	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total Business- Type Activities</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 449,905.41	\$ 328,889.79	\$ 778,795.20
Accounts receivable, net	302,030.67	279,505.50	581,536.17
Due from other governments	-	629,386.00	629,386.00
Inventories	172,363.68	62,802.25	235,165.93
Restricted Assets			
Restricted Cash and cash equivalents	<u>532,628.32</u>	<u>507,701.38</u>	<u>1,040,329.70</u>
Total Current Assets	\$ 1,456,928.08	\$ 1,808,284.92	\$ 3,265,213.00
Non-Current Assets			
Capital assets, non-depreciable	3,467,488.70	1,553,778.19	5,021,266.89
Capital assets, net of accumulated depreciation	9,371,648.87	12,859,443.15	22,231,092.02
Other Assets			
Due from other funds	(1,692.50)	85.00	(1,607.50)
Bond issue costs	<u>111,438.39</u>	<u>-</u>	<u>111,438.39</u>
Total Assets	\$ 14,405,811.54	\$ 16,221,591.26	\$ 30,627,402.80
Liabilities			
Current Liabilities			
Accounts payable	\$ 136,765.45	\$ 186,920.28	\$ 323,685.73
Accrued payroll	10,413.38	11,251.21	21,664.59
Accrued interest payable	13,871.26	32,697.38	46,568.64
Accrued vacation payable	33,645.20	38,460.37	72,105.57
Notes payable, current	27,521.36	526,148.10	553,669.46
Bonds payable, current	<u>332,217.63</u>	<u>-</u>	<u>332,217.63</u>
Total Current Liabilities	\$ 554,434.28	\$ 795,477.34	\$ 1,349,911.62
Non-current liabilities			
Customer deposits	\$ 530,789.73	\$ -	\$ 530,789.73
Notes payable, long-term	426,600.26	5,948,429.87	6,375,030.13
Bonds payable, long-term	4,161,898.28	-	4,161,898.28
Other liabilities	<u>339,810.00</u>	<u>329,610.00</u>	<u>669,420.00</u>
Total Non-Current Liabilities	\$ 5,459,098.27	\$ 6,278,039.87	\$ 11,737,138.14
Total Liabilities	\$ 6,013,532.55	\$ 7,073,517.21	\$ 13,087,049.76
Net Assets			
Invested in capital assets, net of related debt	\$ 7,980,967.17	\$ 8,080,882.99	\$ 16,061,850.16
Restricted by ordinance	532,628.32	507,701.38	1,040,329.70
Unassigned	<u>\$ (121,316.50)</u>	<u>559,489.68</u>	<u>438,173.18</u>
Total Net Assets	\$ 8,392,278.99	\$ 9,148,074.05	\$ 17,540,353.04

See accompanying notes to financial statements.

City of Marion, Illinois
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended April 30, 2012

	Enterprise Funds		Total Business- Type Activities
	Water Department	Sewer Department	
Operating Revenues			
Service charges and fees	\$ 3,257,665.37	\$ 2,788,082.91	\$ 6,045,748.28
Miscellaneous	23,537.29	981.07	24,518.36
Total Operating Revenues	\$ 3,281,202.66	\$ 2,789,063.98	\$ 6,070,266.64
Operating Expenses			
Personnel services	\$ 826,969.50	\$ 831,966.33	\$ 1,658,935.83
Contractual services	43,167.74	12,228.39	55,396.13
Utilities	68,831.16	248,376.05	317,207.21
Repairs and maintenance	176,992.84	140,356.81	317,349.65
Other supplies and expenses	224,542.54	324,747.31	549,289.85
Insurance claims and expenses	261,538.82	320,773.42	582,312.24
Water purchases	1,158,492.42	-	1,158,492.42
Depreciation	397,367.16	628,030.00	1,025,397.16
Total Operating Expenses	\$ 3,157,902.18	\$ 2,506,478.31	\$ 5,664,380.49
Operating Income (Loss)	\$ 123,300.48	\$ 282,585.67	\$ 405,886.15
Non-Operating Revenues (Expenses)			
Interest income	\$ 702.17	\$ 700.36	\$ 1,402.53
Rental income, net	9,949.00	-	9,949.00
Amortization expense	(2,204.95)	(7,500.00)	(9,704.95)
Interest expense	(185,390.95)	(169,311.42)	(354,702.37)
Grant Proceeds	-	1,094,207.00	1,094,207.00
Total Non-Operating Revenues (Expenses)	\$ (176,944.73)	\$ 918,095.94	\$ 741,151.21
Income (Loss) Before Contributions and Transfers	\$ (53,644.25)	\$ 1,200,681.61	\$ 1,147,037.36
Capital contributions	672,329.31	49,285.37	721,614.68
Change in Net Assets	\$ 618,685.06	\$ 1,249,966.98	\$ 1,868,652.04
Net assets - Beginning of Year	\$ 7,773,593.93	\$ 7,898,107.07	\$ 15,671,701.00
Net Assets - End of Year	\$ 8,392,278.99	\$ 9,148,074.05	\$ 17,540,353.04

See accompanying notes to financial statements.

**City of Marion, Illinois
Proprietary Funds
Statement of Cash Flows
For the Year Ended April 30, 2012**

	<u>Enterprise Funds</u>		
	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total Business-Type Activities</u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,259,042.67	\$ 2,128,241.15	\$ 5,387,283.82
Payments to employees	(702,797.97)	(710,030.14)	(1,412,828.11)
Payments to suppliers of goods and services	(2,100,664.93)	(1,111,288.53)	(3,211,953.46)
Net Cash Provided (Used) by Operating Activities	<u>\$ 455,579.77</u>	<u>\$ 306,922.48</u>	<u>\$ 762,502.25</u>
Cash Flows From Noncapital Financing Activities			
Net operating transfers	\$ 8,435.50	\$ (4,375.00)	\$ 4,060.50
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 8,435.50</u>	<u>\$ (4,375.00)</u>	<u>\$ 4,060.50</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from capital contributions and grants	\$ 672,329.31	\$ 1,143,492.37	\$ 1,815,821.68
Interest paid on capital debt	(178,021.98)	(179,137.22)	(357,159.20)
Purchase of capital assets	(771,415.42)	(1,437,045.21)	(2,208,460.63)
Principal paid on capital debt	(458,021.85)	(450,719.71)	(908,741.56)
Proceeds from long-term debt	-	410,312.00	410,312.00
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (735,129.94)</u>	<u>\$ (513,097.77)</u>	<u>\$ (1,248,227.71)</u>
Cash Flows from Investing Activities			
Interest on investments	\$ 702.17	\$ 700.36	\$ 1,402.53
Rental income, net	9,949.00	-	9,949.00
Net Cash Provided (Used) by Investing Activities	<u>\$ 10,651.17</u>	<u>\$ 700.36</u>	<u>\$ 11,351.53</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (260,463.50)</u>	<u>\$ (209,849.93)</u>	<u>\$ (470,313.43)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,242,997.23</u>	<u>1,046,441.10</u>	<u>2,289,438.33</u>
Cash and Cash Equivalents at End of Year	<u>\$ 982,533.73</u>	<u>\$ 836,591.17</u>	<u>\$ 1,819,124.90</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 123,300.48	\$ 282,585.67	\$ 405,886.15
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	\$ 397,367.16	\$ 628,030.00	\$ 1,025,397.16
Bad debts	7,260.32	17,259.99	24,520.31
(Increase) decrease in accounts receivable	(29,420.31)	(678,082.82)	(707,503.13)
(Increase) decrease in inventories	(2,095.41)	1,029.25	(1,066.16)
Increase (decrease) in customer deposits	8,880.92	-	8,880.92
Increase (decrease) in accounts payable	(153,470.29)	(25,968.60)	(179,438.89)
Increase (decrease) in accrued payroll	3.90	1,150.99	1,154.89
Increase (decrease) in other liabilities	103,753.00	80,918.00	184,671.00
Total adjustments	<u>\$ 332,279.29</u>	<u>\$ 24,336.81</u>	<u>\$ 356,616.10</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 455,579.77</u>	<u>\$ 306,922.48</u>	<u>\$ 762,502.25</u>

See accompanying notes to financial statements.

City of Marion, Illinois
Statement of Fiduciary Net Assets
April 30, 2012

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 1,028,780.73
Receivables -	
Accrued interest receivable	34,444.26
Investments -	
U.S. Government and Agency obligations	2,980,297.88
Corporate Bonds	571,731.56
Bond Funds	2,298,950.68
Insurance Company Contracts	4,943,659.05
Mutual Funds	296,984.36
Certificates of Deposit	813,000.00
Stocks	2,895,290.63
Total Assets	\$ 15,863,139.15
Liabilities	
Due to Bondholders	\$ -
Due to other Funds	800.00
Total Liabilities	\$ 800.00
Net Assets Held in Trust for Pension Benefits	\$ 15,862,339.15

See accompanying notes to financial statements.

**City of Marion, Illinois
Pension Trust Funds
Statement of Changes in Plan Net Assets
For the Year Ended April 30, 2012**

Additions	
Contributions	
Employer	\$ 954,570.00
Plan Members	276,238.71
Miscellaneous Revenue	<u>5,375.70</u>
Total Contributions	\$ 1,236,184.41
Investment Income	
Net appreciation (depreciation) in fair value of investments	\$ (7,203.52)
Interest and dividends	440,944.00
Investment expense	<u>(67,684.72)</u>
Net Investment Income	\$ 366,055.76
Total Additions	\$ 1,602,240.17
Deductions	
Benefits	\$ 1,012,504.71
Administrative expense	<u>18,975.53</u>
Total Deductions	\$ 1,031,480.24
Net Increase	\$ 570,759.93
Net Assets Held in Trust for Pension Benefits -	
Beginning of Year	<u>15,291,579.22</u>
End of Year	<u><u>\$ 15,862,339.15</u></u>

See accompanying notes to financial statements.

**City of Marion, Illinois
Agency Funds
Statement of Changes in Assets and Liabilities
For the Year Ended April 30, 2012**

	<u>Balance May 01, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2012</u>
SSA #2 Mall Bond Fund	\$ 2,433,313.63	\$ -	\$ 2,433,313.63	\$ -
Southern Illinois Enforcement Group	-	197,254.71	197,254.71	-
	<u>\$ 2,433,313.63</u>	<u>\$ 197,254.71</u>	<u>\$ 2,630,568.34</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**City of Marion, Illinois
Notes to Financial Statements
April 30, 2012**

Note 1. Summary of Significant Accounting Policies

The City's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

A. Reporting Entity

The City of Marion was created in 1841 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, fire protection, street maintenance, recreation, and general administrative services.

The City's reporting entity includes the City's governing board and all related organizations for which the City exercises oversight responsibility.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. The criteria include, but are not limited to, whether the City exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public services, and special financing relationships.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements to its governmental activities. The City also has business-type activities and proprietary funds on which to apply the pronouncements. The significant accounting policies established in GAAP and used by the City are described below.

B. Basic Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City's government-wide activities include both governmental and business-type activities.

Government-Wide Financial Statements

The Statement of Net Assets 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.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Interfund receivables/payables resulting from short-term interfund loans are eliminated in the government-wide Statement of Net Assets. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The following fund types are used by the City:

GOVERNMENTAL FUND TYPES - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund Types - The General Fund, Goddard Chapel Restoration Fund, and the Semi-Autonomous Departments (Cultural and Civic Center, Senior Citizens Council, Recreation Department, Boyton Street Community Center, Carnegie Library and Pavilion Funds) are the general operating funds of the City. They are used to account for all financial resources devoted to financing the general services that the City performs for its citizens, except those required to be accounted for in another fund.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes. The City's special revenue funds are the Tax Increment Financing Redevelopment Fund, the Road and Bridge Fund, the Motor Fuel Tax Fund, the Gas Tax Fund, Foreign Fire Insurance Fund, Business Improvement Fund, and the Special Revenues - Police Fund.

Debt Service Funds - These funds are established for the purpose of accumulating resources for the payment of long-term debt including capital lease obligations, principal and interest other than those payable from Enterprise Funds.

Capital Projects Funds - These funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

PROPRIETARY FUND TYPES - These funds account for operations that are organized to be self-supporting through user charges. The fund included in this category is the Enterprise Fund.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the 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.

Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

FIDUCIARY FUND TYPES - These funds account for assets held by the City as a trustee or agent for individuals, private organizations, and other units of governments. These funds are as follows:

Pension Trust Funds - These funds were established to provide pension benefits for City police and fire employees. The principal revenue source for this fund is employer and employee contributions. The financial statements presented for these funds, the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets, are not consistent with conventional basic financial statements.

Agency Funds - This fund is custodial in nature and does not present results of operations or have a measurement focus. The agency fund is accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major Governmental: General Fund Types	Accounts for financial resources devoted to financing the general services that the City performs for its citizens.
Tax Increment Financing Redevelopment Fund	Accounts for revenues and expenditures of providing tax incentives related to the development, redevelopment, and rehabilitation of real property within the TIF districts.
Major Proprietary: Water	Accounts for activities related to providing water service to the citizens of the City.
Sewer	Accounts for activities related to providing sewer service to the citizens of the City.
Non-major Governmental: Permanent: Throgmorton Endowment Fund	Accounts for the revenues and expenditures to maintain the Throgmorton gravesite.

<u>Fund</u>	<u>Brief Description</u>
Special Revenue Funds: Road and Bridge Fund	Accounts for revenues and expenditures of improving roads and infrastructure.
Motor Fuel Tax Fund	Accounts for revenues and expenditures of improving roads and infrastructure.
Gas Tax Fund	Accounts for revenues and expenditures of improving roads and infrastructure.
Business Improvement Fund	Accounts for revenues and expenditures of promoting economic development through providing low interest loans to businesses in the City.
Foreign Fire Insurance Fund	Accounts for revenues received from the Illinois Municipal League and the corresponding expenditures of that money. The money can be used for the maintenance, use, and benefit of the fire department.
Special Revenues - Police Fund	Accounts for the revenues received from 911 fees, DUI fees, vehicle impound fees, and drug enforcement income. The money can be used for the benefit of the police department.
Debt Service Funds: Illinois Centre Mall Bonds	Accounts for the payment of long-term debt principal, interest and related costs.
Library Debt Service Fund	See above for description.
TIF Debt Service Fund	See above for description.
Refunding Bonds Debt Service Funds	See above for description.
SSA Debt Service Funds	See above for description.
Capital Project Fund:	
FAI 57 Morgan Avenue Exchange	Accounts for revenues and expenditures to acquire and construct major capital facilities.
General Projects Fund	Accounts for revenues and expenditures to acquire and construct major capital facilities.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The accrual basis of accounting is also utilized by the proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The accrual basis of accounting is followed for presentation of assets of the Pension Trust Funds. Liabilities pertaining to benefits payable or refunds payable are presented on the modified accrual basis, with remaining liabilities presented on the accrual basis of accounting.

Modified Accrual

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both "measurable" and "available." Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be "available" as they are collected within 60 days of the end of the current fiscal period except for sales tax and telecommunication taxes which are 90 days. Due to the State of Illinois being late in distributing the municipalities share of the state income tax, the City considers state income tax collected within 120 days to be available.

Property taxes, sales taxes, franchise taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

D. Annual Appropriations Ordinance (Budget)

The City Council annually passes an appropriations ordinance which includes all fund types using the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Each fund's appropriations are prepared on a detailed line item basis. Expenditures are appropriated by department and class as follows: salaries and benefits, services and charges, supplies, capital outlay, debt service. For each fund, total fund expenditures may not legally exceed the appropriated amounts. All unexpended budget appropriations lapse at the end of each fiscal year.

E. Cash and Cash Equivalents

Cash includes cash on hand and cash on deposit with financial institutions that can be withdrawn without prior notice or penalty.

Cash equivalents include short term, highly liquid investments with original maturities of 90 days or less. For purposes of proprietary fund statement of cash flows presentation, cash and cash equivalents totaled \$1,819,124.90 at April 30, 2012.

Separate bank accounts are not maintained for all City funds. Certain funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

F. Investments

Investments are stated at fair value. Cash deposits are reported at carrying value which reasonably estimates fair value.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Bad debts of the Special Revenue Fund (Business Improvement Fund) are accounted for by the allowance reserve method in recognizing bad debt expense. This method better matches the cost of operating the fund with revenues of the fund and is consistent with generally accepted accounting principles.

H. Inventory

Inventory is valued at cost using the first-in, first-out method, and consists of expendable supplies held for consumption for governmental funds and the proprietary funds. Reported inventories of governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

I. Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivables and payables are eliminated in the government-wide statement of net assets.

J. Restricted Assets

Enterprise funds and debt service funds are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The Enterprise funds also contained unspent bond proceeds which are restricted by ordinance as to the purpose of the bonds. Carnegie Library, Senior Citizens, Boyton Street, and Civic Center are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only for donor-designated purchases.

K. Capital Assets

The City is required to spread the cost of its capital assets over the assets' useful lives. These capital assets include land, buildings, and related equipment. The depreciation expense amounts charged to each of the functions are in the statement of activities.

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets.

Capital assets purchased or acquired with an original cost of \$2,500.00 or more are reported at historical or estimated historical cost, including all ancillary charges necessary to place the asset in its intended location and condition for use. Infrastructure projects with a cost of \$100,000.00 or more are also reported at historical cost. Donated assets are reported at fair market value at the time of acquisition plus all appropriate ancillary costs. Additions, improvements and other capital outlays that exceed \$15,000.00 for building improvements, \$10,000.00 for land improvements, \$25,000.00 for water and sewer line improvements and which significantly extend the useful life of an asset are capitalized. Depreciation on all assets is calculated using the straight-line method. The estimated useful lives of assets are based on local government suggested basis, past experience, or other reliable sources. Useful lives typically will not exceed fifty (50) years. The following estimated useful lives are used for depreciation purposes:

Infrastructure	15-40 years
Buildings and improvements	15-50 years
Furniture and equipment	5-20 years

Property, plant and equipment acquired for proprietary funds is capitalized in the respective fund to which it applies.

Property, plant and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation applied to the cost of each class of property, plant and equipment. Estimated useful lives, in years, for depreciable assets of the Water and Sewer departments are as follows:

Buildings and grounds	15-75 years
Improvements	15-75 years
Machinery and equipment	5-15 years
Water and sewer lines	50-75 years

L. Compensated Absences

For the City as a whole, benefit pay is accrued for benefits earned but not taken at April 30, 2012. Vacation time is earned either on a calendar year, fiscal year, or hire-date basis, depending upon the department in which employed. Unused vacation time cannot be carried over to subsequent years with the exception of the Police Department.

Police Department employees may carryover vacation to the first six months of the next year if vacation was cancelled by the employer. The City allows employees to accumulate unused sick leave to a maximum of 1,920 hours. Sick leave will be paid upon illness while in the employment of the City. This sick leave program also includes an annual buy-back provision upon the meeting of certain requirements, and is not paid upon termination. As of April 30, 2012, the liability for sick leave is \$1,759,812.62.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital asset, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned.

O. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence.

The City incurred two special items as follows:

1. The State of Illinois in order to construct an improvement on Illinois Route 13 beginning at Halfway Road and extending to Carbon Street and to construct an improvement to Interstate 57 just north of Main Street and extending to just north of Morgan Avenue issued Contract 78182. The City in order to facilitate the above project agreed to contribute seven million dollars to the project effective upon the execution of Contract 78182. Contract 78182 was executed during the year ended April 30, 2012. The City became legally obligated for the debt upon the execution of the contract.

The State is allowing the City to pay this amount over a fifteen year period at zero percent interest. The amount owed by the City to the State has been recorded as a liability and an expenditure of a special item since the City has no ownership or maintenance responsibility once the project is completed.

2. As explained in Note 11, the City issued bonds to pay off the debt of the Williamson County Events Commission in order to take control of the operations of the facility formerly known as "The Williamson County Pavilion". The pay off of this debt has been reflected as a special item in the "Statement of Activities".

Note 2. Property Tax Revenues

Property tax revenues are recorded on the "deferred method." Because of the extraordinarily long period of time between the levy date and the receipt of tax distributions from the County Collector, the property taxes are not "available" to finance current year expenditures. For those funds on the modified accrual basis, the current year tax levy is recorded as property taxes receivable and deferred tax revenue.

The following are the taxes extended and collected, and assessed valuations for the calendar years 2009, 2010, and 2011:

	2009 Taxes Payable in 2010	2010 Taxes Payable in 2011	2011 Taxes Payable in 2012
<u>Taxes Extended</u>			
Real and personal	\$ 1,089,144	\$ 1,066,561	
<u>Total Taxes Extended</u>	<u>\$ 1,089,144</u>	<u>\$ 1,066,561</u>	<u>\$ 1,107,253</u>
<u>Add</u> - Current and back taxes and interest	\$ 110	\$ 4,487	
Trustee sale	78	185	
Forfeited taxes redeemed after settlement	1,597	715	
Trustee redemption	1,064	575	
Housing authority	2,739	3,073	

	<u>2009 Taxes Payable in 2010</u>	<u>2010 Taxes Payable in 2011</u>	<u>2011 Taxes Payable in 2012</u>
Taxes collected not extended			
- Special Service debt service	-	400,001	
- Road and Bridge	122,849	114,179	
- Tax Increment Financing	<u>4,677,067</u>	<u>4,659,550</u>	
<u>Total Additions</u>	<u>\$ 4,805,504</u>	<u>\$ 5,182,765</u>	
<u>Total</u>	<u>\$ 5,894,648</u>	<u>\$ 6,249,326</u>	
<u>Deduct</u> - Errors and corrections	\$ 2,274	\$ 2,030	
Forfeits	2,003	12	
Prior years abatement refund	1,804	868	
Amounts due from Trustee Program	<u>1,047</u>	<u>1,073</u>	
<u>Total Deductions</u>	<u>\$ 7,128</u>	<u>\$ 3,983</u>	
Income from Taxes	<u>\$ 5,887,520</u>	<u>\$ 6,245,343</u>	
<u>Assessed Valuation</u>	<u>\$ 290,989,262</u>	<u>\$ 278,599,212</u>	<u>\$ 288,136,960</u>

The City's property tax is levied each year on all taxable real property located in the City. Property taxes attach as an enforceable lien on property as of January 1 and were payable in two installments on July 8, 2011 and September 9, 2011. The City receives significant distributions of tax receipts approximately one month after these due dates. Taxes recorded in these financial statements are from 2010 and prior tax levies.

The following are the tax rate limits permitted and the actual rates levied per \$100.00 of assessed valuation:

<u>Tax Rates</u>	<u>Limit</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
IMRF	No Limit	.01030	.00000	.00000
Bonds and interest	No Limit	.05155	.05385	.05206
Police Pension	No Limit	.18653	.20455	.19778
Fire Pension	No Limit	<u>.12591</u>	<u>.12443</u>	<u>.13444</u>
<u>Total</u>		<u>.37429</u>	<u>.38283</u>	<u>.38428</u>
<u>Extensions</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>
IMRF	\$	29,972	-	-
Bonds and interest		150,005	150,025	150,004
Police Pension		542,782	569,875	569,877
Fire Pension		<u>366,385</u>	<u>346,661</u>	<u>387,371</u>
	\$	<u>1,089,144</u>	<u>1,066,561</u>	<u>1,107,252</u>

The Road and Bridge Fund taxes received are a pro-rata portion of such taxes collected by Williamson County, Illinois, and are not extended separately for the City of Marion, Illinois.

The Tax Increment Financing taxes received are calculated based on the increase in the assessed valuation of the property located within the TIF district.

Note 3. Deposits and Investments

Permitted Deposits and Investments - Statutes authorize the City to make deposits and investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts, mutual funds and equity securities.

A. Custodial Credit Risk Related to Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned to it. The City's general investment policy requires all amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized by securities eligible for City investment or any other high-quality, interest-bearing security. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization.

The City's investment policy states the preferred method for safekeeping of collateral is to have securities registered in the City's name and held by a third-party custodian.

At April 30, 2012, the carrying amount of the City's deposits with financial institutions, which includes demand deposits, savings accounts, and certificates of deposit, was \$5,828,092.84 (excludes \$4,341.21 in petty cash held at the City). The bank balance was \$6,385,049.23. As of April 30, 2012, the following City's bank balances (certificates of deposit, checking, and savings accounts) were exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Category #3	\$ <u> </u> -

Category #3 includes deposits which are uninsured, uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, in the City's name.

During the year ended April 30, 2012, the depository banks used by the City had pledged \$2,554,280.00 in federal securities to secure the City's deposits in excess of the amounts insured by the FDIC. The pledged securities are held by the pledging financial institutions' trust department or agent but not in the City's name.

B. Investments

Investments Authorized by the City of Marion's Investment Policy

The table below identifies the investment types that are authorized for the City of Marion by the City's Investment Policy. The table also identifies certain provisions of the City's Investment Policy that address interest rate risk, credit risk, and concentration risk. The police and fire pension funds are not covered by this policy, but are governed by state statutes and their own separate investment policies.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U. S. Government Bonds or Similar Obligations	5 years	50%	not addressed
U. S. Government Treasury Bills	5 years	N/A	not addressed
Other U. S. Government Securities	5 years	50%	not addressed
Time Deposits	5 years	50%	not addressed
Investments Constituting Direct Obligations of any Bank	5 years	50%	not addressed
State of Illinois Public Treasurer's Investment Pool	N/A	N/A	not addressed

Reserve funds may exceed five years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

As of April 30, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Mutual Funds	\$ 296,984.36	\$ 296,984.36	\$ 296,984.36	\$ -	\$ -	\$ -
Common stocks	2,896,668.43	2,896,668.43	2,896,668.43	-	-	-
Municipal bonds	1,437,392.25	1,437,392.25	860,000.00	-	199,890.25	377,502.00
Federal Home Loan Mortgage Corp.	188,989.59	188,989.59	-	100,684.34	-	88,305.25
Federal National Mortgage Association	676,249.61	676,249.61	-	271,274.96	-	404,974.65
Government National Mortgage Association	2,077.21	2,077.21	-	-	-	2,077.21
United States Treasury	1,535,589.22	1,535,589.22	359,058.03	634,282.27	439,479.96	102,768.96
Insurance contracts - Fixed	1,617,693.25	1,617,693.25	391,143.55	668,098.37	117,318.51	441,132.82
Insurance contracts - Variable	3,325,965.80	3,325,965.80	N/A	-	-	-
Illinois Funds Money Market	11,927,743.84	11,927,743.84	11,927,743.84	-	-	-
Corporate Bonds	571,731.56	571,731.56	93,011.10	478,720.46	-	-
Bond Funds	<u>2,298,950.68</u>	<u>2,298,950.68</u>	<u>2,298,950.68</u>	-	-	-
Total	<u>\$26,776,035.80</u>	<u>\$26,776,035.80</u>	<u>\$19,123,559.99</u>	<u>\$ 2,153,080.40</u>	<u>\$ 756,688.72</u>	<u>\$ 1,416,760.89</u>

Investments with Fair Values Highly Sensitive to Interest Rate Risk

The City's investments include the following investments that are highly sensitive to interest rate fluctuations:

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year End</u>
Federal agency securities. Some of these securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 867,316.41

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City minimizes its exposure to credit risk by limiting its investments to the safest types of securities; by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers which the City will do business; and by diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Disclosures are required for any issuer that represents 5% or more of total investments, exclusive of mutual funds, external investment pools and investments issued or guaranteed by the U.S. government. The investment policy of the City contains a 50% limitation on the amount that can be invested in any one issuer, with the exception of U.S. Treasuries and the Illinois Public Treasurers Investment Pool. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments by reporting unit are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
MetLife	Insurance contract	\$ 874,844.13	6.72%
AIG Sun America	Insurance contract	1,236,861.84	9.50%
MetLife	Insurance contract	995,610.00	7.65%
Black Rock Bond Series C	Bond fund	801,053.68	6.16%
Black Rock Bond Series M	Bond fund	765,585.00	5.89%

Investments in any one issuer that represent 5% or more of total investments by reporting unit (governmental activities, business-type activities, major funds, non-major funds in the aggregate, fiduciary fund types, etc.) are as follows:

\$874,844.13 of the investments reported in the Police Pension Fund (a fiduciary fund of the City) are held in the form of an unrated insurance contract issued by MetLife that has no maturity date.

\$1,236,861.84 of the investments reported in the Police Pension Fund (a fiduciary fund of the City) are held in the form of an unrated insurance contract issued by AIG Sun America that has no maturity date.

\$995,610.00 of the investments reported in the Fire Pension Fund (a fiduciary fund of the City) are held in the form of an unrated insurance contract issued by MetLife that has no maturity date.

\$801,053.68 of the investments reported in the Fire Pension Fund (a fiduciary fund of the City) are held in the form of a bond fund issued by Black Rock Bond Series C that has no maturity date.

\$765,585.00 of the investments reported in the Fire Pension Fund (a fiduciary fund of the City) are held in the form of a bond fund issued by Black Rock Bond Series M that has no maturity date.

Investment in State Investment Pool

During the year ended April 30, 2012, the City maintained accounts with the Illinois Funds Money Market (formerly known as IPTIP). Illinois Funds Money Market is an external investment pool created by the Illinois General Assembly in 1975. Its primary purpose is to provide Public Treasurers and other custodians of public funds with an alternative investment vehicle which will enable them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds.

The monies invested by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements.

The time deposits are collateralized 110% over FDIC or FSLIC \$250,000 insurance with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 102% with U.S. Treasury obligations and collateral is checked daily to determine sufficiency. Individual participants maintain separate investment accounts representing a proportionate share of the pool assets and in respective collateral; therefore no collateral is identified with each participant's account.

At April 30, 2012, the City had \$11,927,743.84 invested with the Illinois Funds.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The City had no foreign currency risk as of April 30, 2012.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments, other than the following provision for investments: a list will be maintained of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness who maintain an office in the State of Illinois. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). The policy also states that, at the request of the City, the firms performing investment services for the City shall provide their most current audited financial statements and or their most current Consolidated Report of Condition (call report) for review. At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

As of April 30, 2012, the City's investments were held by the same broker-dealers (counterparties) that were used by the City to buy the securities:

<u>Broker/Dealer</u>	<u>Reported Amount</u>
Edward Jones	\$ 577,392.25
Bank of Marion Investment Services	<u>702.64</u>
	<u>\$ 578,094.89</u>

The tables that follow this page summarize disclosures relating to interest rate risk and credit risk, including the minimum rating required by the City's investment policy and the actual rating as of year end for each investment type:

Fiduciary Fund Types	Investment	Fair Value	Maturity Date	Minimum Legal Rating	Exempt from Disclosure	Ratings as of Year End			
						AAA	AA	A	Not Rated
Police Pension	GNMA Pool #585287	\$ 406.64	9/15/2032	N/A	\$ 406.64				
	FNMA	35,663.21	4/1/2042	N/A	35,663.21				
	FNMA	87,050.92	1/30/2017	N/A	87,050.92				
	FNMA	86,678.32	11/1/2040	N/A	86,678.32				
	Federal Home Loan Mortgage	29,991.08	11/15/2013	N/A	29,991.08				
	Federal Home Loan Mortgage	28,383.83	12/1/2024	N/A	28,383.83				
	Williamson County, IL	102,800.70	12/01/2020	N/A			102,800.70		
	Fisher Illinois Alt. Source	104,321.00	12/01/2024	N/A				104,321.00	
	Chicago Illinois Modern SCHS	111,262.00	12/01/2025	N/A			111,262.00		
	Cook Co. RFDG	79,935.75	11/15/2027	N/A			79,935.75		
	Cook Co. GO	81,983.25	11/15/2033	N/A			81,983.25		
	U. S. Treasury Note	37,042.56	8/15/2019	N/A	37,042.56				
	U. S. Treasury Note	56,808.48	2/15/2015	N/A	56,808.48				
	U. S. Treasury Note	56,002.24	1/31/2014	N/A	56,002.24				
	U. S. Treasury Note	34,142.86	11/15/2017	N/A	34,142.86				
	U. S. Treasury Note	79,037.13	5/15/2012	N/A	79,037.13				
	U. S. Treasury Note	32,585.28	11/15/2039	N/A	32,585.28				
	U. S. Treasury Note	30,604.80	1/31/2013	N/A	30,604.80				
	U. S. Treasury Note	69,492.00	2/15/2020	N/A	69,492.00				
	U. S. Treasury Note	85,266.05	5/31/2013	N/A	85,266.05				
	AIG Sun America	547,428.78	N/A	N/A					547,428.78
	Pacific Life Variable	72,087.61	N/A	N/A					72,087.61
	Pacific Life Fixed	100,036.28	11/05/2012	N/A					100,036.28
	John Hancock Fixed	117,318.51	3/03/2020	N/A					117,318.51
	Security Benefit Choice Fixed	67,598.95	2/27/2011	N/A					67,598.95
	AIG Sun America - Variable	689,433.06	N/A	N/A					689,433.06
	Protective Fixed	309,170.44	11/17/2023	N/A					309,170.44
	Protective Fixed	131,962.38	12/08/2023	N/A					131,962.38
	MetLife Fixed	117,947.73	12/15/2014	N/A					117,947.73
	MetLife Fixed	120,676.30	12/15/2013	N/A					120,676.30
	MetLife Variable	874,844.13	N/A	N/A					874,844.13
	MetLife Fixed	42,755.26	N/A	N/A					42,755.26
	Investment Company of America	170,545.74	N/A	N/A					170,545.74
	Mainstay Funds	71,009.82	N/A	N/A					71,009.82
	Franklin Strategic Income Fund	12,931.35	N/A	N/A					12,931.35
	Black Rock Bond Series C	375,113.20	N/A	N/A					375,113.20
	Black Rock Bond Series M	357,198.80	N/A	N/A					357,198.80
	Anheuser-Busch	60,762.24	1/15/2015	N/A		60,762.24			
	Enterprise Products	61,661.54	2/1/2016	N/A				61,661.54	
	General Electric	29,640.90	10/19/2012	N/A				29,640.90	
	J P Morgan Chase	30,055.60	7/5/2016	N/A			30,055.60		
Subtotal		\$ 5,589,636.72			\$ 749,155.40	\$ 60,762.24	\$ 406,037.30	\$ 195,623.44	\$ 4,178,058.34

GRAY HUNTER STENN LLP

	Investment	Fair Value	Maturity Date	Minimum Legal Rating	Exempt from Disclosure	Ratings as of Year End			
						AAA	AA	A	Not Rated
Fire Pension	GNMA Pool #370862	\$ 709.51	10/15/2023	N/A	\$ 709.51	\$	\$	\$	
	GNMA Pool #1924M	665.06	12/20/2024	N/A	665.06				
	GNMA Pool #588966	296.00	10/15/2032	N/A	296.00				
	FNMA	184,224.04	1/30/2017	N/A	184,224.04				
	FNMA	80,410.01	6/1/2038	N/A	80,410.01				
	FNMA	202,223.11	12/1/2040	N/A	202,223.11				
	Federal Home Loan Mortgage	70,693.26	11/15/2013	N/A	70,693.26				
	Williamson County, Illinois	97,089.55	12/01/2021	N/A			97,089.55		
	FHLMC	59,921.42	12/1/2024	N/A	59,921.42				
	U. S. Treasury Note	70,183.68	11/15/2039	N/A	70,183.68				
	U. S. Treasury Note	148,249.60	2/15/2020	N/A	148,249.60				
	U. S. Treasury Note	120,593.44	2/15/2015	N/A	120,593.44				
	U. S. Treasury Note	77,557.86	8/15/2019	N/A	77,557.86				
	U. S. Treasury Note	182,085.54	5/15/2012	N/A	182,085.54				
	U. S. Treasury Note	67,330.56	1/31/2013	N/A	67,330.56				
	U. S. Treasury Note	72,995.08	11/15/2017	N/A	72,995.08				
	U. S. Treasury Note	194,607.22	5/31/2013	N/A	194,607.22				
	U. S. Treasury Note	121,004.84	1/31/2014	N/A	121,004.84				
	Security Benefit Choice Fixed	106,830.48	2/21/2011	N/A					106,830.48
	Pacific Life Variable	48,962.18	N/A	N/A					48,962.18
	AIG Sun America - Variable	97,600.04	N/A	N/A					97,600.04
	Pacific Life Fixed	73,922.58	9/16/2012	N/A					73,922.58
	MetLife Fixed	429,474.34	12/10/2015	N/A					429,474.34
	MetLife Variable	995,610.00	N/A	N/A					995,610.00
	Government Security Fund	42,497.45	N/A	N/A					42,497.45
	Anheuser-Busch	129,119.76	1/15/2015	N/A					129,119.76
	Enterprise Products	131,828.12	2/1/2016	N/A					131,828.12
	General Electric	63,370.20	10/19/2012	N/A					63,370.20
	J P Morgan Chase	65,293.20	7/5/2016	N/A					65,293.20
	Black Rock Bond Series C	801,053.68	N/A	N/A					801,053.68
	Black Rock Bond Series M	765,585.00							765,585.00
Sub-Total		<u>\$ 5,501,986.81</u>			<u>\$ 1,653,750.23</u>	<u>\$ -</u>	<u>\$ 97,089.55</u>	<u>\$ -</u>	<u>\$ 3,751,147.03</u>
General Fund Types									
General Fund	Round Lake Area Park District	\$ 300,000.00	10/15/2012	N/A	\$ -	\$ -	\$ -	\$ -	\$ 300,000.00
	Memorial Park District	<u>560,000.00</u>	12/15/2012	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,000.00</u>
Sub-Total		<u>\$ 860,000.00</u>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 860,000.00</u>
Total Investments		<u>\$11,951,623.53</u>							

Reconciliation

A reconciliation of cash and investments as shown on the statement of net assets and statement of fiduciary net assets follows:

Petty Cash	\$ 4,341.21
Carrying Amount of Deposits	5,828,092.84
Carrying Amount of Investments	<u>26,776,035.80</u>
	<u>\$ 32,608,469.85</u>
Cash and Cash Equivalents	\$ 14,186,814.34
Investments	<u>18,421,655.51</u>
	<u>\$ 32,608,469.85</u>

Note 4. Defined Benefit Pension Plans

Illinois Municipal Retirement Fund -

Plan Description. The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar year 2011 was 10.98 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2011 was \$460,163.

Three-Year Trend Information for the Regular Plan

Calendar Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/11	\$ 460,163	100%	\$ 0
12/31/10	456,042	91%	0
12/31/09	348,548	100%	0

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 76.44 percent funded. The actuarial accrued liability for benefits was \$11,524,091 and the actuarial value of assets was \$8,809,000, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,715,091. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$4,190,919 and the ratio of the UAAL to the covered payroll was 65 percent.

The schedule of funding progress, presented as RSI below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	8,809,000	11,524,091	2,715,091	76.44%	4,190,919	64.79%
12/31/10	8,524,429	11,298,331	2,773,902	75.45%	4,368,214	63.50%
12/31/09	9,736,834	11,723,434	1,986,600	83.05%	4,319,060	46.00%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$8,315,873. On a market basis, the funded ratio would be 72.16%.

Fire Pension Fund -

A. Plan Description

Fire-sworn personnel are covered by the Fire Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated

by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2012, the Fire Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	13
Current Employees	
Vested	13
Nonvested	<u>12</u>
<u>Total</u>	<u>38</u>

The Fire Pension Plan provides retirement benefits as well as death and disability benefits. The Fire Pension Plan now has a two Tier coverage. Tier 1 coverage is for Firefighters employed prior to January 1, 2011. Tier 2 coverage is for Firefighters employed after December 31, 2010. Tier 1 employees attaining the age of 50 or more with 20 years of creditable service are entitled to receive a monthly benefit of ½ the monthly salary attached to the rank held in the fire service at the date of retirement. Tier 2 employees must attain the age of 55 or more with 10 years of creditable service to receive a monthly benefit computed by multiplying 2.50% for each year of service completed by the final average salary (as defined in the statutes). Tier 1 employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit. Tier 2 employees attaining the age 50 with 10 or more years of creditable service may retire with a reduced benefit. The maximum pension under Tier 1 or Tier 2 is 75% of the computed salary. The monthly benefit of Tier 1 employees who retired with 20 or more years of service after January 1, 1977 shall be increased annually following the first anniversary date of retirement and be paid upon reaching the age of 55 years by 3% of the original pension and 3% compounded annually thereafter. The monthly benefit of Tier 2 employees shall be increased on January 1st occurring either on or after the attainment of age 60. Each annual increase shall be the lesser of ½ of the Consumer Price Index-Urban or 3% of the original pension.

Covered employees are required to contribute 9.455% of their base salary to the Fire Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 2011, the City has until the year 2040 to fund the plan in an amount sufficient to bring the total assets of the fire pension fund up to 90% of the total actuarial liabilities. For the year ended April 30, 2012, the City's contribution was 26.71% of covered payroll.

B. Significant Investments

Significant investments (other than U. S. Government guaranteed obligations) in any one organization that represent 5.00% or more of plan net assets are as follows:

MetLife	\$ 625,478.77
Black Rock Series C	801,053.68
Black Rock Series M	<u>765,585.00</u>
	<u>\$2,192,117.45</u>

C. Annual Pension Costs

Employer contributions have been determined as follows:

	<u>Fire Pension Fund</u>
Valuation Date	May 1, 2011
Actuarial Cost Method	Entry-age Normal Cost
Actuarial Value of Assets	5-year smoothed market
Amortization Method	Level Percentage of Payroll Closed
Remaining Amortization Period	21 Years
Actuarial Assumptions	
a) Investment Rate of Return	7.00% per year
b) Projected Salary Increases	TCG Basic Salary Table providing graded increases from 1.12% to 4.86% varying by age, plus the inflation
c) Payroll Growth	4.00% per year
d) Inflation Rate	3.00% per year
e) Cost of Living Increases	3.00% per year
f) Assumed Mortality	RP-2000 Combined Health Mortality Table (Male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over.

Employer annual pension costs (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	<u>Fire Pension</u>
Annual Pension Costs (APC)	
For the year ended April 30, 2010	\$ 313,279
For the year ended April 30, 2011	\$ 341,754
For the year ended April 30, 2012	\$ 394,868
Actual Contribution	
For the year ended April 30, 2010	\$ 355,300
For the year ended April 30, 2011	\$ 366,400
For the year ended April 30, 2012	\$ 384,670

Percentage of ARC Contributed	
For the year ended April 30, 2010	113%
For the year ended April 30, 2011	107%
For the year ended April 30, 2012	97%

NPO (Asset)	
For the year ended April 30, 2010	\$ (192,500)
For the year ended April 30, 2011	\$ (217,300)
For the year ended April 30, 2012	\$ (206,824)

The NPO at April 30, 2012 has been calculated as follows:

	<u>Fire Pension</u>
Annual Required Contribution	\$ 394,868
Interest on Net Pension Obligation	(15,211)
Adjustment to Annual Required Contribution	<u>15,489</u>
Annual Pension Cost	\$ 395,146
Contributions Made	<u>384,670</u>
Increase (Decrease) in Net Pension Obligation	\$ 10,476
Net Pension Obligation (Asset) Beginning of Year	<u>(217,300)</u>
Net Pension Obligation (Asset) End of Year	<u>\$(206,824)</u>

A separate report on the fire pension fund may be obtained at the City Clerk's office located in city hall.

Police Pension Fund -

A. Plan Description

Police-sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and the employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2012, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	20
Current Employees	
Vested	13
Nonvested	<u>18</u>
<u>Total</u>	<u>51</u>

The Police Pension Plan provides retirement benefits as well as death and disability benefits. The Police Pension Plan now has a two Tier coverage. Tier 1 coverage is for policemen employed prior to January 1, 2011. Tier 2 coverage is for policemen employed after December 31, 2010. Tier 1 employees attaining the age of 50 or more with 20 years of creditable service are entitled to receive a monthly benefit of ½ the monthly salary attached to the rank held in the fire service at the date of retirement. Tier 2 employees must attain the age of 55 or more with 10 years of creditable service to receive a monthly benefit computed by multiplying 2.50% for each year of service completed by the final average salary (as defined in the statutes). Tier 1 employees with at least 8 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit. Tier 2 employees attaining the age 50 with 10 or more years of creditable service may retire with a reduced benefit. The maximum pension under Tier 1 or Tier 2 is 75% of the computed salary. The monthly benefit of Tier 1 employees who retired with 20 or more years of service after January 1, 1977 shall be increased annually following the first anniversary date of retirement and be paid upon reaching the age of 55 years by 3% of the original pension and 3% compounded annually thereafter. The monthly benefit of Tier 2 employees shall be increased on January 1st occurring either on or after the attainment of age 60. Each annual increase shall be the lesser of ½ of the Consumer Price Index-Urban or 3% of the original pension.

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 2011, the City has until the year 2040 to fund the plan in an amount sufficient to bring the total assets of the police pension fund up to 90% of the total actuarial liabilities. For the year ended April 30, 2012, the City's contribution was 37.26% of covered payroll.

B. Significant Investments

Significant investments (other than U. S. Government guaranteed obligations) in any one organization that represent 5.00% or more of plan net assets are as follows:

MetLife	\$ 874,844.13
AIG Sun America	547,428.78
AIG Sun America	<u>689,433.06</u>
	<u>\$2,111,705.97</u>

C. Annual Pension Costs

Employer contributions have been determined as follows:

	<u>Police Pension</u>
Valuation Date	May 1, 2011
Actuarial Cost Method	Entry-age Normal Cost
Actuarial Value of Assets	5 year smoothed market
Amortization Method	Level Percentage of Payroll Closed
Remaining Amortization Period	21 Years

Actuarial Assumptions

a) Investment Rate of Return	7.00% per year
b) Projected Salary Increases	TCG Basic Salary Table providing graded increases from 1.12% to 4.86% varying by age, plus the inflation
c) Payroll Growth	4.00% per year
d) Inflation Rate	3.00% per year
e) Cost of Living Increases	3.00% per year
f) Assumed Mortality	RP-2000 Combined Health Mortality Table (Male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over.

Employer annual pension costs (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	<u>Police Pension</u>
Annual Pension Costs (APC)	
For the year ended April 30, 2010	\$ 447,074
For the year ended April 30, 2011	\$ 494,072
For the year ended April 30, 2012	\$ 554,610
Actual Contribution	
For the year ended April 30, 2010	\$ 535,500
For the year ended April 30, 2011	\$ 542,800
For the year ended April 30, 2012	\$ 569,900
Percentage of ARC Contributed	
For the year ended April 30, 2010	120%
For the year ended April 30, 2011	110%
For the year ended April 30, 2012	103%
NPO (Asset)	
For the year ended April 30, 2010	\$(172,311)
For the year ended April 30, 2011	\$(221,178)
For the year ended April 30, 2012	\$(236,184)

The NPO at April 30, 2012 has been calculated as follows:

	<u>Police Pension</u>
Annual Required Contribution	\$ 554,610
Interest on Net Pension Obligation	(15,482)
Adjustment to Annual Required Contribution	<u>15,766</u>
Annual Pension Cost	\$ 554,894
Contributions Made	<u>569,900</u>
Increase (Decrease) in Net Pension Obligation	\$ (15,006)
Net Pension Obligation (Asset) Beginning of Year	<u>(221,178)</u>
Net Pension Obligation (Asset) End of Year	<u><u>\$(236,184)</u></u>

A separate report of the police pension fund may be obtained at the City Clerk's office located in city hall.

For the Police and Firemen's Pension Funds, the City fully funds the actuarially determined employer contributions through property tax monies. These contributions lag behind the actuarially required contributions by two years due to the time necessary to complete the tax levy cycle.

Note 5. Other Post Employment Benefits

Annual OPEB COST

The Annual OPEB Cost has these three components:

- 1) The Annual Required Contribution Amount which is the sum of a, b, and c below.
 - a) Normal Cost is the portion of the Actuarial Present Value of benefits allocated to the valuation year according to the actuarial cost method.
 - b) Amortization of the Unfunded Actuarial Accrued Liability is the amount to be amortized over thirty years, of the excess of the Actuarial Accrued Liability over the fair value of assets, both measured at the valuation date.
 - c) Amortization of Gains or Losses of the unfunded actuarial accrued liability which may be amortized separately or as part of the annual amortization of the unfunded actuarial accrued liability.
- 2) The ARC Adjustment Amount, an amount which is added/subtracted from the ARC to adjust the annual cost for amounts already accrued and reflected in the beginning of year Net OPEB Obligation.
- 3) Interest at the valuation discount rate on the beginning of year Net OPEB Obligation.

Net OPEB Obligation

The Net OPEB Obligation is accrued on the financial statement as the amount of accumulated OPEB costs which remain unfunded as of the reporting date. For the first reporting period, the OPEB Cost is the ARC for subsequent years, and the year end Net OPEB liability is the OPEB Cost less employer contributions. Exhibits on the following pages illustrate:

- Exhibit 1** Components of Net Annual Obligation and Expense
- Exhibit 2** Schedule of Contributions, OPEB Costs and Obligations
- Exhibit 3** Schedule of Funded Status and Funding Progress
- Exhibit 4** Required Supplementary Information

Plan Description

The City of Marion provides the continuation of health care benefits and life insurance to employees, who retire from the City. Employees who terminate after reaching retirement eligibility in the plan are eligible to elect to continue their health care coverage by paying the monthly premium rate. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by the City and is the basis for the OPEB obligation accounted for under GASB 45.

Funding Policy

The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution. The ARC (Annual Required Contribution) represents the normal cost each year and an amount to amortize the unfunded actuarial liabilities over thirty years.

Exhibit 1 - Components of Net OPEB Obligation and Expense

The following table shows the annual OPEB costs for the year, the amount contributed to the plan and changes in the net OPEB obligation. The *Net OPEB Obligation* is the amount entered as of year end as the net liability for the other post employment benefits.

Components of Net OPEB Obligation and Expense

Item	Amount as of 4/30/2012					
	General Fund	Water	Sewer	Police	Fire	Total
a. Annual Required Contribution	\$ 475,121	\$ 117,279	\$ 136,243	\$ 564,131	\$ 291,103	\$ 1,583,877
b. Interest on OPEB obligation	44,144	12,812	12,249	42,236	26,118	137,559
c. Adjustment to ARC	<u>(54,698)</u>	<u>(15,875)</u>	<u>(15,177)</u>	<u>(52,334)</u>	<u>(32,362)</u>	<u>(170,446)</u>
d. Annual OPEB cost (a+b+c)	\$ 464,567	\$ 114,216	\$ 133,315	\$ 554,033	\$ 284,859	\$ 1,550,990
e. Contributions made	<u>(143,669)</u>	<u>(30,636)</u>	<u>(48,684)</u>	<u>(227,985)</u>	<u>(103,603)</u>	<u>(554,577)</u>
f. Increase in OPEB obligation	\$ 320,898	\$ 83,580	\$ 84,631	\$ 326,048	\$ 181,256	\$ 996,413
g. Net OPEB obligation - beginning of year	<u>882,875</u>	<u>256,230</u>	<u>244,979</u>	<u>844,716</u>	<u>522,369</u>	<u>2,751,169</u>
h. Net OPEB obligation - end of year (f+g)	<u>\$1,203,773</u>	<u>\$ 339,810</u>	<u>\$ 329,610</u>	<u>\$1,170,764</u>	<u>\$ 703,625</u>	<u>\$ 3,747,582</u>

Exhibit 2 - Schedule of Contributions, OPEB Costs and Net Obligations

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
4/30/09	\$ 1,113,075	22.3%	\$ 864,530
4/30/10	1,102,740	24.6%	1,696,356
4/30/11	1,563,509	32.5%	2,751,169
4/30/12	1,550,990	35.8%	3,747,582

Funded Status and Funding Progress

As of April 30, 2012, the actuarial accrued liability for benefits was \$18,556,130. The covered payroll was approximately \$5,936,733, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 312.6%.

Actuarial Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members.

In the actuarial valuation for the fiscal year ended April 30, 2012, the entry age actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 9% initially, reduced to an ultimate rate of 4.5% after five years. Rates include a 2.5% general inflation assumption.

The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 30 years.

Exhibit 3 - Schedule of Funded Status and Funding Progress

The funded status of the plan as of April 30, 2012 was as follows:

	<u>Total</u>
1. Actuarial Accrued Liability (AAL)	\$ 18,556,130
2. Actuarial Value of Assets	0
3. Unfunded Actuarial Accrued Liability (UAAL)	\$ 18,556,130
4. Funded Ratio (2)/(1)	0%
5. Covered Payroll (Active Plan Members)	\$ 5,936,733
6. UAAL as a Percentage of Covered Payroll (3)/(5)	312.6%

Exhibit 4 - Required Supplementary Information

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
4/30/09	\$ 0	\$ 11,569,101	\$ 11,569,101	0%	\$5,621,763
4/30/10	\$ 0	\$ 12,292,784	\$ 12,292,784	0%	\$5,818,525
4/30/11	\$ 0	\$ 17,714,262	\$ 17,714,262	0%	\$5,735,974
4/30/12	\$ 0	\$ 18,556,130	\$ 18,556,130	0%	\$5,936,733

SUMMARY OF ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Cost Method

The Actuarial Cost Method used in this valuation is the Entry Age Normal Actuarial Cost Method. Under this Method, a Normal Cost is developed by spreading the actuarial value of benefits expected to be received by each active participant over the total working lifetime of that participant, from hire to termination, as a level percentage of pay. To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is generally amortized over a defined period of time.

Discount (Interest) Rate: 5% per year

Salary Progression: 3.5% per year

Initial Premium Costs (2011)

<u>Coverage</u>	<u>Monthly Cost</u>
Medical pre-Medicare	\$ 512.80
Medical with Medicare	\$ 415.00
Dental	\$ 24.78
Vision	\$ 7.12

Contributions

Retirees (age 50 and 8 years of service) and their dependants may elect coverage under the City of Marion's health program for current active employees. Certain retirees have grandfathered benefit plans. The City pays a portion of the cost of coverage.

<u>Retiree and Spouse Health Care</u>			
<u>Age</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
50-57	50%	50%	50%
58-64	62%	62%	62%
65+	70%	70%	70%

City pays 50% of the retiree dental and vision cost. Municipal retirees hired after 4/30/2009 contribute 100% of the average group rate.

Mortality

Probabilities of death according to the 1994 Group Annuity Mortality Table for Males and Females.

Retirement - Representative rates by age:

<u>Age</u>	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>	<u>Age</u>	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>
50	0.12	0.05	N/A	60	0.25	0.20	0.10
51	0.12	0.03	N/A	61	0.25	0.25	0.10
52	0.12	0.03	N/A	62	0.40	0.40	0.15
53	0.12	0.03	N/A	63	1.00	1.00	0.20
54	0.16	0.03	N/A	64	1.00	1.00	0.20
55	0.16	0.08	0.05	65	1.00	1.00	0.40
56	0.16	0.08	0.05	66	1.00	1.00	0.25
57	0.16	0.08	0.05	67	1.00	1.00	0.30
58	0.16	0.08	0.05	68	1.00	1.00	0.30
59	0.16	0.12	0.05	69	1.00	1.00	1.00

Withdrawal - Representative rates by age:

<u>Age</u>	<u>Police</u>	<u>Fire</u>	<u>Municipal</u>
20	0.0450	0.0450	0.3000
30	0.0190	0.0190	0.0500
40	0.0060	0.0060	0.0300
50	0.0005	0.0005	0.0100
60	0.0005	0.0005	0.0001

Participation

90% of employees currently enrolled in medical plans were assumed to participate in the plan. 65% of employees were assumed to have spouses. Females are three years younger.

Health Care Cost Inflation Rates

<u>Period</u>	<u>Rates</u>
2011	9.0%
2012	8.0%
2013	7.0%
2014	6.0%
2015	5.0%
2016 and after	4.5%

Participant Data - Summary as of April 30, 2011

	<u>General Fund</u>	<u>Water*</u>	<u>Sewer*</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Active Participants	51	11.5	10.5	36	23	132
Retired Participants	<u>18</u>	<u>4</u>	<u>5</u>	<u>20</u>	<u>9</u>	<u>56</u>
Total	69	15.5	15.5	56	32	188

*Water and sewer split 50/50.

Age and Service Distribution as of April 30, 2011

ALL EMPLOYEES

Male Active Employee Participants

Age Group	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20										
20-24	3									3
25-29	14	1								15
30-34	7	6	1							14
35-39	2	6	4	1						13
40-44		3	5	3	1					12
45-49	2		3	1	6	3	1			16
50-54			2	1	3	2	3			11
55-59			4	3	1	4	3			15
60-64								1		1
65 & Over			1						1	2
Total	28	16	20	9	11	9	7	1	1	102

Average age: 42.76 years
 Average Length of Service: 13.51 years

Female Active Employee Participants

Age Group	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20										0
20-24	1									1
25-29	2									2
30-34	3									3
35-39			1							1
40-44	3	2								5
45-49			1		1					2
50-54	1	1					1			3
55-59	2	3	1	1						7
60-64	1		1							2
65 & Over		1		2		1				4
Total	13	7	4	3	1	1	1			30

Average age: 49.43 years
 Average Length of Service: 8.70 years

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Eligibility

All employees of the City are eligible to receive retiree health care benefits.

Municipal Members:

Retiree must be age 50 with 8 years of service.

Police Members:

Retiree must have 8 years of service.

Fire Members:

Retiree must have 8 years of service.

Benefit Amount

Retirees and their dependents may elect coverage under the City of Marion's health program for current active employees. Certain retirees have grandfathered benefit plans. The City pays a portion of the cost of coverage.

Health Care

Retiree and Spouse Benefits			
<u>Age</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
50-57	50%	50%	50%
58-64	62%	62%	62%
65+	70%	70%	70%

Dental & Vision Coverage

City pays 50% of retiree dental and vision coverages.

Note 6. Allowance for Uncollectible Amounts

The allowance for doubtful accounts is analyzed as follows for the business improvement fund:

Balance at April 30, 2011	\$ 60,000.00
<u>Add</u> - Bad debt expense	-
- Recoveries	-
<u>Less</u> - Charge-offs	-
Balance at April 30, 2012	<u>\$ 60,000.00</u>

The allowance for doubtful accounts was 4.53% of loans receivable at April 30, 2012.

Note 7. Donated Investments

During a prior year the City received a special bequest in the amount of \$1,000.00 from the Estate of Edna V. Throgmorton. This amount is to be kept intact and invested in interest bearing securities. The income derived is to be used for the upkeep of the Barnett and Throgmorton grave lots in the Rose Hill Cemetery.

Note 8. Components of Restricted Assets

Governmental Funds
General Fund Types

	<u>General</u>	<u>Senior Citizens Council</u>	<u>Marion Carnegie Library</u>	<u>Boyton Street Community Center</u>	<u>Cultural and Civic Center</u>
Cash	\$241,675.31	\$ -	\$ 13,309.00	\$ 1,164.71	\$ 114,661.06
Certificates of deposit	-	<u>12,433.50</u>	<u>55,282.86</u>	-	-
Total	<u>\$241,675.31</u>	<u>\$ 12,433.50</u>	<u>\$ 68,591.86</u>	<u>\$ 1,164.71</u>	<u>\$ 114,661.06</u>

Restricted assets of the General Fund represent restricted donations and grant monies, all of which are restricted as to the type of expenditures allowed.

Restricted assets of the Library and Senior Citizens Council represent donations received in which the principal and sometimes the earnings of these assets are restricted as to the type of expenditures allowed.

Restricted assets of the Cultural and Civic Center represent donations received to be used for the purchase of items needed by the Cultural and Civic Center.

Restricted assets of the Boyton Street Community Center Fund represent a scholarship fund in which these assets are restricted as to the type of expenditures allowed.

Debt Service Fund Types

	<u>Illinois Centre Mall Bonds</u>	<u>SSA Debt Service</u>	<u>2006 Refunding Bonds</u>	<u>2005 Refunding Bonds</u>	<u>TIF Debt Service</u>
Cash and Illinois Funds	\$ <u>1.03</u>	\$ <u>400,267.74</u>	\$ <u>564,308.59</u>	\$ <u>90,366.68</u>	\$ <u>131,456.28</u>

Restricted assets of the above various debt service funds are for debt service expenditures.

Enterprise Funds

	<u>Water Department</u>	<u>Sewer Department</u>
Cash and Illinois funds	\$ <u>532,628.32</u>	\$ <u>507,701.38</u>

Restricted assets of the Water and Sewer Departments are for debt service and restricted bond proceed expenditures, and capital improvements.

Note 9. Capital Assets

The following is a summary of changes in the capital assets for the fiscal year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 23,622,114.65	\$ 266,169.00	\$ -	\$ 23,888,283.65
Construction in progress	<u>1,043,724.72</u>	<u>3,611,484.24</u>	<u>2,014,571.10</u>	<u>2,640,637.86</u>
<u>Total Capital Assets Not Being Depreciated</u>	<u>\$ 24,665,839.37</u>	<u>\$ 3,877,653.24</u>	<u>\$ 2,014,571.10</u>	<u>\$ 26,528,921.51</u>
Capital assets being depreciated:				
Land improvements	\$ 219,245.32	\$ -	\$ -	\$ 219,245.32
Parking lot improvements	92,475.73	-	-	92,475.73
Office equipment	294,324.44	20,600.93	-	314,925.37
Fixed mechanical equipment	870,381.63	48,000.00	-	918,381.63
Major movable equipment	1,294,402.12	263,295.06	5,000.00	1,552,697.18
Vehicles	3,403,449.93	40,299.66	10,500.00	3,433,249.59
Railroad improvements	610,952.83	-	-	610,952.83
IL Centre Mall	19,157,896.55	-	-	19,157,896.55
Buildings	19,213,392.91	270,760.28	-	19,484,153.19
Streets	20,201,824.08	1,022,886.43	-	21,224,710.51
Bridges	946,385.55	-	-	946,385.55
Storm sewers	2,118,378.41	-	-	2,118,378.41
Sidewalks	155,450.34	271,502.80	-	426,953.14
Flood control projects	4,787,486.06	-	-	4,787,486.06
Street lights	143,278.30	74,637.50	-	217,915.80
Software	<u>85,868.00</u>	<u>-</u>	<u>-</u>	<u>85,868.00</u>
<u>Total Capital Assets Being Depreciated</u>	<u>\$ 73,595,192.20</u>	<u>\$ 2,011,982.66</u>	<u>\$ 15,500.00</u>	<u>\$ 75,591,674.86</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Less accumulated depreciation for:				
Land improvements	\$ 72,814.90	\$ 10,086.71	\$ -	\$ 82,901.61
Parking lot improvements	73,950.73	2,522.00	-	76,472.73
Office equipment	128,707.47	32,949.38	-	161,656.85
Fixed mechanical equipment	403,097.55	46,813.39	-	449,910.94
Major movable equipment	738,426.53	108,548.39	1,083.33	845,891.59
Vehicles	2,105,767.52	252,943.70	10,500.00	2,348,211.22
Railroad improvements	322,023.04	15,273.82	-	337,296.86
IL Centre Mall	17,796,252.92	493,326.96	-	18,289,579.88
Buildings	3,876,925.78	442,901.21	-	4,319,826.99
Streets	6,222,448.75	712,360.07	-	6,934,808.82
Bridges	311,617.74	23,659.64	-	335,277.38
Storm sewers	395,403.89	54,680.57	-	450,084.46
Sidewalks	18,251.68	9,624.23	-	27,875.91
Flood control projects	1,130,079.71	95,749.72	-	1,225,829.43
Street lights	27,616.02	9,340.85	-	36,956.87
Software	17,168.66	11,801.90	-	28,970.56
	<u>\$ 33,640,552.89</u>	<u>\$ 2,322,582.54</u>	<u>\$ 11,583.33</u>	<u>\$ 35,951,552.10</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>\$ 39,954,639.31</u>	<u>\$ (310,599.88)</u>	<u>\$ (3,916.67)</u>	<u>\$ 39,640,122.76</u>
<u>Governmental Activities Capital Assets, Net</u>	<u>\$ 64,620,478.68</u>	<u>\$ 3,567,053.36</u>	<u>\$ (2,018,487.77)</u>	<u>\$ 66,169,044.27</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government		\$ 48,149.23
Public health and safety		240,634.91
Streets, alleys and cemeteries		174,536.60
Cultural and recreation		432,635.23
Unallocated		<u>1,426,626.57</u>
<u>Total Governmental Activities Depreciation Expense</u>		<u>\$ 2,322,582.54</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 3,486,877.45	\$ -	\$ -	\$ 3,486,877.45
Construction in progress	684,510.71	2,080,315.64	(1,230,436.91)	1,534,389.44
<u>Total Capital Assets Not Being Depreciated</u>	<u>\$ 4,171,388.16</u>	<u>\$ 2,080,315.64</u>	<u>\$ (1,230,436.91)</u>	<u>\$ 5,021,266.89</u>
Capital assets being depreciated:				
Land improvements	\$ 33,325.00	\$ -	\$ -	\$ 33,325.00
Structures	2,880,125.84	-	-	2,880,125.84
Buildings	20,870,925.63	7,843.47	-	20,878,769.10
Fixed equipment	4,180,339.31	49,285.37	-	4,229,624.68
Equipment and machinery	1,211,884.74	20,343.37	-	1,232,228.11
Trucks and tractors	706,618.73	50,672.78	-	757,291.51
Transmission and distribution systems	7,039,287.11	1,230,436.91	-	8,269,724.02
Pumping and lift stations	1,185,743.97	-	-	1,185,743.97
<u>Total Capital Assets Being Depreciated</u>	<u>\$ 38,108,250.33</u>	<u>\$ 1,358,581.90</u>	<u>\$ -</u>	<u>\$ 39,466,832.23</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	\$ 3,129.11	\$ 1,666.25	\$ -	\$ 4,795.36
Structures	495,982.96	52,506.72	-	548,489.68
Buildings	9,460,587.69	529,212.37	-	9,989,800.06
Fixed equipment	1,747,113.22	121,832.62	-	1,868,945.84
Equipment and machinery	880,621.04	76,437.00	-	957,058.04
Trucks and tractors	544,631.39	55,595.94	-	600,227.33
Transmission and distribution systems	2,644,085.85	145,278.88	-	2,789,364.73
Pumping and lift stations	434,191.79	42,867.38	-	477,059.17
<u>Total Accumulated Depreciation</u>	<u>\$ 16,210,343.05</u>	<u>\$ 1,025,397.16</u>	<u>\$ -</u>	<u>\$ 17,235,740.21</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>\$ 21,897,907.28</u>	<u>\$ 333,184.74</u>	<u>\$ -</u>	<u>\$ 22,231,092.02</u>
<u>Business-Type Activities Capital Assets, Net</u>	<u>\$ 26,069,295.44</u>	<u>\$ 2,413,500.38</u>	<u>\$ (1,230,436.91)</u>	<u>\$ 27,252,358.91</u>
Business-Type activities:				
Water			\$ 397,367.16	
Sewer			<u>628,030.00</u>	
<u>Total Business-Type Activities Depreciation Expense</u>			<u>\$ 1,025,397.16</u>	

Note 10. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Individual fund interfund receivable and payable balances at April 30, 2012 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 182,297.93
Gas Tax Fund	52,265.93	-
TIF Redevelopment Fund	14,627.50	-
Water Department	-	1,692.50
2005 Refunding Bonds	150,000.00	-
Sewer Department	85.00	-
Foreign Fire Insurance	-	300.00
General Projects	-	30,000.00
Pension Trust Funds	-	800.00
Cultural and Civic Center	-	393.00
Senior Citizens Council	-	779.00
Recreation Department	-	86.00
Boyton Street Community Center	-	89.00
Carnegie Library	-	541.00
<u>Total</u>	<u>\$ 216,978.43</u>	<u>\$ 216,978.43</u>

Schedule of operating transfers within the reporting entity:

<u>Transfer out/from</u>	<u>Transfer in/to</u>	<u>Amount</u>
General Fund Types - General Fund	General Fund Types - Recreation Department Senior Citizens Council Cultural and Civic Center Boyton Street Carnegie Library Special Revenue - Motor Fuel Tax Debt Service - 2005 Refunding Bonds IL Centre Mall Bonds Library 2006 Refunding Bonds SSA Debt Service Capital Projects - FAI Morgan Avenue	\$ 33,433.22 349,058.12 316,597.55 205,814.39 823,565.06 773.00 451,800.00 379,250.00 31,427.84 771,980.00 57,360.79 13,993.74
Special Revenue - Special Revenues - Police TIF Redevelopment	General Fund Types - General Fund General Fund	 85,669.05 1,191.00
Special Revenue - TIF Redevelopment	Special Revenue - Road & Bridge Debt Service - TIF Debt Service	 11,840.40 128,500.00
Debt Service - IL Centre Mall Bond	Debt Service - 2006 Refunding Bonds	 127.85
Capital Projects FAI 57 Morgan Ave. General Projects	Special Revenue - Motor Fuel Tax	 600.26 <u>8.66</u>
		<u>\$ 3,662,990.93</u>

Note 11. Lease Obligations

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the City's asset or liability accounts.

On December 27, 2004, the City entered into a forty year agreement with the Williamson County Events Commission Corporation. Ownership of the Williamson County Pavilion was conveyed to the City upon the execution of the agreement.

The Williamson County Pavilion was constructed by the Williamson County Events Commission Corporation with the assistance of the City. The construction of the Pavilion was financed with debt incurred by the Williamson County Events Commission Corporation. The Williamson County Events Commission Corporation ceased operations and the City began operating the pavilion as of June 21, 2011. The City has issued bonds to pay off the debt of the Williamson County Events Commission upon taking over operations.

Note 12. Changes in Long-Term Debt

The following is a summary of bond transactions of the City for the fiscal year ended April 30, 2012:

	Bonds Payable May 1, 2011	Bonds Issued	Bond Payments	Bonds Payable April 30, 2012	Portion Bonds Payable April 30, 2012
Governmental Type Activities -					
Refunding Bonds					
Pavilion Bonds, Series 2011	\$ -	\$ 2,200,000.00	\$ 227,053.84	\$ 1,972,946.16	\$ 155,348.95
IL Centre Mall Bonds, Series 2001	870,000.00	-	870,000.00	-	-
GO Bonds, Series 2002	90,000.00	-	90,000.00	-	-
GO Bonds, Series 2005	9,030,000.00	-	245,000.00	8,785,000.00	255,000.00
GO Bonds, Series 2006	4,880,000.00	-	25,000.00	4,855,000.00	935,000.00
GO Bonds, Series 2007	1,275,000.00	-	55,000.00	1,220,000.00	60,000.00
GO Bonds, Series 2011A	-	3,115,000.00	-	3,115,000.00	275,000.00
	<u>\$ 16,145,000.00</u>	<u>\$ 5,315,000.00</u>	<u>\$ 1,512,053.84</u>	<u>\$ 19,947,946.16</u>	<u>\$ 1,680,348.95</u>
Add - Premium on bonds				319,736.71	59,487.91
Less - Deferred amortization on refunding				(583,970.09)	(71,349.61)
- Discount on bonds				(8,691.17)	(427.43)
				<u>\$ 19,675,021.61</u>	<u>\$ 1,668,059.82</u>
Business-Type Activities -					
Water Department					
Refunding Bonds, Series 2002	\$ 1,595,000.00	\$ -	\$ 285,000.00	\$ 1,310,000.00	\$ 195,000.00
GO Bonds, Series 2008	3,350,000.00	-	140,000.00	3,210,000.00	145,000.00
	<u>\$ 4,945,000.00</u>	<u>\$ -</u>	<u>\$ 425,000.00</u>	<u>\$ 4,520,000.00</u>	<u>\$ 340,000.00</u>
Add - Premium on bonds				2,639.26	-
Less - Deferred amortization on refunding				(28,523.35)	(7,782.37)
				<u>\$ 4,494,115.91</u>	<u>\$ 332,217.63</u>

General Obligation Bonds payable at April 30, 2012, are comprised of the following individual issues:

General Obligation -

\$3,115,000.00 General Obligation Refunding Bonds, Series 2011A, dated May 19, 2011, due in annual principal installments ranging from \$275,000.00 to \$355,000.00 through January 1, 2022; interest rate is variable from 2.25% to 3.80%.

\$ 3,115,000.00

\$2,200,000.00 Refunding Revenue Bonds, Series 2011, dated June 21, 2011, due in monthly installments of \$19,208.26 through October 21, 2022; interest rate is fixed at 3.95%

1,972,946.16

\$10,000,000.00 General Obligation Refunding Bonds, Series 2005, dated September 15, 2005, due in annual principal installments ranging from \$10,000.00 to \$1,470,000.00 through September 15, 2021, interest rate is variable from 2.8% to 5.0%	\$ 8,785,000.00
\$4,965,000.00 General Obligation Refunding Bonds, Series 2006, dated October 15, 2006, due in annual principal installments ranging from \$20,000.00 to \$1,080,000.00 through September 15, 2016; interest rate is variable from 4.0% to 5.0%	4,855,000.00
\$1,385,000.00 General Obligation Bonds, Series 2007, dated October 1, 2007, due in annual principal installments ranging from \$5,000.00 to \$125,000.00 through October 15, 2025; interest rate is variable from 5.00% to 6.30%	<u>1,220,000.00</u>
General Obligation Bonds Payable	\$ 19,947,946.16
Add - Premium on bonds	319,736.71
Less - Deferred amortization on refunding	(583,970.09)
- Discount on bonds	<u>(8,691.17)</u>
	<u>\$ 19,675,021.61</u>

As of April 30, 2012, \$1,186,400.32 is available in Debt Service Funds to service General Obligation Bonds.

Enterprise Funds bonds payable at April 30, 2012, are comprised of the following individual issues:

General Obligation Bonds -	
\$3,545,000.00 Waterworks Refunding Bonds, dated August 15, 2002, due in annual installments ranging from \$215,000.00 to \$285,000.00 through September 1, 2017; interest rate is variable from 2.0% to 4.45%.	\$ 1,310,000.00
\$3,590,000.00, Series 2008, dated February 1, 2009, due in semiannual installments ranging from \$105,000.00 to \$250,000.00 through October 15, 2028; interest is variable from 3.0% to 4.1%	<u>3,210,000.00</u>
General Obligation Bonds Payable	\$ 4,520,000.00
<u>Add</u> - Premium on bonds	2,639.26
<u>Less</u> : Deferred amortization on refunding	<u>(28,523.35)</u>
Net Enterprise Funds Bonds Payable	<u>\$ 4,494,115.91</u>

The annual requirements to amortize all debt outstanding as of April 30, 2012, including interest payments of \$5,496,138.30 for General Obligation Bonds and \$175,961.27 for the Refunding Bonds are as follows:

Fiscal Year Ending April 30,	General Obligation	Enterprise Funds Refunding	Total
2013	\$ 2,716,964.12	\$ 246,104.38	\$ 2,963,068.50
2014	2,736,901.62	248,226.26	2,985,127.88
2015	2,718,332.87	249,691.88	2,968,024.75
2016	2,725,589.12	245,582.50	2,971,171.62
2017	2,722,250.37	245,905.00	2,968,155.37
2018	2,733,470.37	250,451.25	2,983,921.62
2019	2,472,247.87	-	2,472,247.87
2020	2,476,073.50	-	2,476,073.50
2021	2,480,367.25	-	2,480,367.25
2022	2,454,815.37	-	2,454,815.37
2023	495,961.15	-	495,961.15
2024	384,311.25	-	384,311.25
2025	384,087.50	-	384,087.50
2026	387,727.50	-	387,727.50
2027	254,690.00	-	254,690.00
2028	255,170.00	-	255,170.00
2029	255,125.00	-	255,125.00
	<u>\$28,654,084.86</u>	<u>\$1,485,961.27</u>	<u>\$30,140,046.13</u>

Other Contractual Liabilities

The following is a summary of other contractual liability transactions for business-type activities of the City for the fiscal year ended April 30, 2012:

	Balance May 1, 2011	Additions	Payments	Balance April 30, 2012	Current Portion
Business-Type Activities -					
Accrued vacation	\$ 72,607.30	\$ -	\$ 501.73	\$ 72,105.57	\$ -
State of Illinois	6,990,340.18	410,312.00	475,096.83	6,925,555.35	550,525.22
Bank of Marion	11,788.97	-	8,644.73	3,144.24	3,144.24
<u>Total</u>	<u>\$ 7,074,736.45</u>	<u>\$ 410,312.00</u>	<u>\$ 484,243.29</u>	<u>\$ 7,000,805.16</u>	<u>\$ 553,669.46</u>

Enterprise Fund contractual obligations at April 30, 2012, are comprised of the following individual notes payable:

- A. 2.89% note payable to the State of Illinois in semi-annual installments of \$11,089.94 including interest through October 10, 2016. \$ 92,964.36

For the year ended April 30, 2012, total interest was \$3,101.19, all of which was charged to expense.

- B. 2.89% note payable to the State of Illinois in semi-annual installments of \$5,238.64 including interest through March 14, 2018. \$ 57,336.67

For the year ended April 30, 2012, total interest was \$1,844.59, all of which was charged to expense.

- C. 2.675% note payable to the State of Illinois in semi-annual installments of \$290,257.67 beginning February 15, 2005 through February 15, 2024. \$ 5,913,964.94

For the year ended April 30, 2012, total interest was \$166,522.68, all of which was charged to expense.

- D. 0.000% note payable to the State of Illinois in semi-annual installments of \$12,188.56 beginning October 15, 2011 through October 15, 2030. This loan was originally for \$618,200.00 of which \$142,845.50 has been forgiven. \$ 450,977.38

- E. 3.75% note payable to the Bank of Marion in monthly installments of \$529.43 including interest through October 31, 2012 \$ 3,144.24

For the year ended April 30, 2012, total interest was \$242.74, all of which was charged to expense.

- F. 1.25% note payable to the State of Illinois in semi-annual installments for total costs incurred. Repayments, including interest begins 02/01/2013 through 08/01/2032 \$ 173,843.00

For the year ended April 30, 2012, total interest was \$0.00, all of which was charged to expense.

- G. 1.25% note payable to the State of Illinois in semi-annual installments for total costs incurred. Repayments, including interest begins 02/01/2013 through 08/01/2032 \$ 236,469.00

For the year ended April 30, 2012, total interest was \$0.00, all of which was charged to expense.

The annual requirements to amortize all other contractual liabilities of business-type activities as of April 30, 2012, including interest payments of \$1,049,172.49 are as follows:

Fiscal Year Ending April 30.	State of Illinois	Bank of Marion	Totals					
2013	\$ 33,652.58	\$ 24,377.12	\$ 59,352.84	\$ 22,179.88	\$ 10,477.28	\$ 580,515.34	\$ 3,176.58	\$ 733,731.62
2014	67,305.16	24,377.12	118,705.68	22,179.88	10,477.28	580,515.34	-	823,560.46
2015	67,305.16	24,377.12	58,410.48	22,179.88	10,477.28	580,515.34	-	763,265.26
2016	5,580.10	24,377.12	-	22,179.88	10,477.28	580,515.34	-	643,129.72
2017	-	24,377.12	-	11,089.94	10,477.28	580,515.34	-	626,459.68
2018	-	24,377.12	-	-	10,477.28	580,515.34	-	615,369.74
2019	-	24,377.12	-	-	-	580,515.34	-	604,892.46
2020	-	24,377.12	-	-	-	580,515.34	-	604,892.46
2021	-	24,377.12	-	-	-	580,515.34	-	604,892.46
2022	-	24,377.12	-	-	-	580,515.34	-	604,892.46
2023	-	24,377.12	-	-	-	580,515.34	-	604,892.46
2024	-	24,377.12	-	-	-	565,064.24	-	589,441.36
2025-2031	-	158,451.94	-	-	-	-	-	158,451.94
	<u>\$ 173,843.00</u>	<u>\$ 450,977.38</u>	<u>\$ 236,469.00</u>	<u>\$ 99,809.46</u>	<u>\$ 62,863.68</u>	<u>\$ 6,950,732.98</u>	<u>\$ 3,176.58</u>	<u>\$ 7,977,872.08</u>

The following is a summary of other contractual liability transactions for governmental-type activities of the City for the fiscal year ended April 30, 2012:

	Balance May 1, 2011	Additions	Payments	Balance April 30, 2012	Current Portion
Governmental-Type Activities -					
Bank of Marion -					
Building inspector vehicle	\$ 4,927.48	\$ -	\$ 3,926.76	\$ 1,000.72	\$ 1,000.72
Animal control truck	5,871.32	-	4,676.81	1,194.51	1,194.51
Fire truck	230,669.92	-	56,927.82	173,742.10	59,158.66
Police cars and related equipment	164,208.16	-	104,684.37	59,523.79	52,469.95
Street department equipment	70,816.18	74,957.14	41,968.36	103,804.96	47,448.53
911 CAD system	14,059.62	-	14,059.62	-	-
7 th Street	250,524.85	-	71,943.00	178,581.85	74,652.74
Illinois Department of Transportation -					
Engineering agreement	-	1,000,000.00	-	1,000,000.00	2,500.00
Construction agreement	-	7,000,000.00	-	7,000,000.00	50,000.00
Accrued vacation	288,278.23	26,884.68	-	315,162.91	-
Total	<u>\$ 1,029,355.76</u>	<u>\$ 8,101,841.82</u>	<u>\$ 298,186.74</u>	<u>\$ 8,833,010.84</u>	<u>\$ 288,425.11</u>

The annual requirements to amortize all other contractual liabilities of government-type activities as of April 30, 2012, including interest payments of \$19,667.48 are as follows:

Fiscal Year Ending April 30.	Bank of Marion	Kubota	Illinois Dept. of Transportation	Totals
2013	\$ 223,101.84	\$ 24,985.68	\$ 52,500.00	\$ 300,587.52
2014	164,839.64	24,985.68	52,500.00	242,325.32
2015	85,027.27	14,575.03	52,500.00	152,102.30
2016	-	-	52,500.00	52,500.00
2017	-	-	708,181.82	708,181.82
2018 and after	-	-	7,081,818.18	7,081,818.18
	<u>\$ 472,968.75</u>	<u>\$ 64,546.39</u>	<u>\$8,000,000.00</u>	<u>\$8,537,515.14</u>

Note 13. Contingent Liabilities

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Significant losses are covered by commercial insurance for all major programs: property, liability, and workers' compensation. During the year ended April 30, 2012, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

Contingencies:

Litigation

The City 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.

Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Development

The City has various TIF districts for which they are contingently liable to developers as costs are incurred over a period of years. As eligible redevelopment costs are incurred, the City receives municipal sales tax and real estate taxes. The City in turn refunds a percentage of the tax increment to the developer based on the percentages specified in the various redevelopment agreements.

Note 14. Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications; nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

A. Nonspendable Fund Balance -

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. The City has the following nonspendable fund balance:

Throgmorton Endowment. During a prior year, the City received a special bequest in the amount of \$1,000.00 from the Estate of Edna V. Throgmorton. This amount is to be kept intact and invested in interest bearing securities. The income derived is to be used for the upkeep of the Barnett and Throgmorton grave lots in the Rose Hill Cemetery.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has the following restricted fund balances:

Restricted for TIF development. This was created to restrict the use of all resources collected or earned by the Tax Increment Financing Funds for development of the properties in the TIF districts.

Restricted for donor expenditures. This was created to segregate a portion of fund equity for future expenditures defined by the donor.

Restricted for future loans. This was created to restrict the use of all resources contributed to or earned by the Business Improvement Fund.

Restricted for maintenance of roads. This was created by enabling legislation (state and local) to fund the maintenance and upkeep of City streets.

Restricted for grant expenditures. This was created to restrict the use of various grant funds according to the grant agreements.

Restricted for public safety expenditures. This was created to restrict the use of 911 fees, DUI, drug enforcement fees, vehicle fund, and foreign fire insurance collected for police and fire department expenditures.

Restricted for debt service. This was created to segregate a portion of the fund equity account for debt service, including both principal payments and interest payments. The restriction was established to satisfy legal restrictions imposed by various bond agreements.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (City Council). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action (resolution or ordinance) it employed to previously commit those amounts.

By council action, the City has committed to a cash reserve policy in the general fund that requires a minimum level equal to or greater than 25% of the general fund's current year budgeted expenditures.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the City's management and/or commissioners to be used for a specific purpose, but are neither restricted nor committed. Assigned fund balance amounts are shown in the general fund.

The City has appropriated existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget and that appropriation is no greater than the projected excess of expected expenditures over expected revenues, it satisfies the criteria to be classified as assigned fund balance.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the general fund for amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

F. Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Fund</u>	<u>Debt Service Funds</u>	<u>Total Governmental Funds</u>
Fund Balances						
Nonspendable	\$ -	\$ 1,000.00	\$ -	\$ -	\$ -	\$ 1,000.00
Restricted for -						
Debt Service	-	-	-	-	1,186,400.32	1,186,400.32
Public expenditures	134,605.49	-	132,121.68	-	-	266,727.17
Grant expenditures	1,164.71	-	-	-	-	1,164.71
TIF Development	-	-	3,430,420.01	-	-	3,430,420.01
Donor expenditures	149,725.27	-	-	-	-	149,725.27
Future loans	-	-	1,523,715.51	-	-	1,523,715.51
Maintenance of roadway	-	-	1,123,030.23	-	-	1,123,030.23
Committed for -						
Cash reserve	4,430,677.50	-	-	-	-	4,430,677.50
Assigned for -						
Budget deficit	480,804.29	-	-	-	-	480,804.29
Unassigned	<u>6,729,170.88</u>	<u>833.77</u>	<u>-</u>	<u>(186,000.00)</u>	<u>-</u>	<u>6,544,004.65</u>
Total Fund Balances	\$ 11,926,148.14	\$ 1,833.77	\$ 6,209,287.43	\$ (186,000.00)	\$ 1,186,400.32	\$ 19,137,669.66

Note 15. Deficit Fund Equity

There were deficit fund equity/retained earnings as of April 30, 2012 in the General Projects Funds; Recreation Department, and Boyton Street Community Center.

Note 16. Pledged Revenue

The City has pledged municipal sales tax and real estate taxes generated in connection with the Tax Increment Financing redevelopment agreements with developers.

Effective July 1, 2005 the City increased its home rule sales tax by one quarter of one percent. The City has entered into an agreement with the Southern Illinois Baseball Group, Inc. (Developer) to pay them one-half of the sales tax increase (one eighth of one percent). The City pays the Developer by the last day of the month its sales tax portion for the preceding month. The Developer can not use the funds for any purpose other than to satisfy construction loan obligations. The City's obligation will continue until the earlier of (1) thirty years after the City's first payment or (2) the date that all construction loan obligations have been paid in full. As of April 30, 2012 the Developer's portion of the home rule sales tax increase amounted to \$573,602.00.

Note 17. Deferred Compensation Plan

Employees of the City of Marion may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by the City. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the City, are held in trust for the exclusive benefit of participants and their beneficiaries. In addition, each participant's rights are equal to his or her share of the fair market value of the plan assets.

Note 18. Legal Debt Margin

The City of Marion is a home rule municipality. Under the Illinois Compiled Statutes, a home rule government may issue notes and bonds in excess of any statutory limitation and they shall not reduce the debt incurring power otherwise authorized for any such unit of government. Therefore, the City of Marion has no legal debt limitation.

Note 19. Risks and Uncertainties - Contributions to the City's Police and Fire Pension Plans and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions will occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Investment securities are exposed to various risks, such as interest rate, market and credit. It is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the statement of net assets available for benefits.

Note 20. Commitments

In October of 2006, the City entered into an agreement with the Rend Lake Conservancy District to supply the City with a needed supply of treated water for domestic, commercial and industrial use. The agreement is in effect until December 31, 2046. The City may discontinue purchasing treated water from the District only if (a) the District has recouped its costs of providing water to the delivery point and the cost of the water storage reservoir or (b) the City reimburses the District for any remaining cost which has not been recouped by the District. Construction of the project was completed in July, 2010.

Note 21. Subsequent Events

On October 3, 2011, Governor Quinn announced that the City of Marion was one of 22 communities to receive capital funding to help local communities renovate and build new recreation facilities. The City has been awarded \$2,500,000 to construct a new recreation center. The grant was awarded to the City based upon plans previously submitted by the City.

A City employee was terminated for cause, for the mishandling of water and sewer funds. The matter is being investigated by law enforcement authorities. The investigation is ongoing as of the issue date of these financial statements.

Required Supplemental Information

City of Marion, Illinois
General Fund Types
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (with Variances)
For the year ended April 30, 2012

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes			\$ 921,613.96	
Sales tax			12,930,294.47	
Licenses and permits			80,003.92	
intergovernmental			1,293,077.00	
Other taxes and franchise fees			904,068.15	
Service charges and fees			679,156.98	
Investment income			104,734.39	
Grant revenue			439,056.77	
Restricted donations			39,975.06	
Miscellaneous			199,008.87	
Total Revenues			\$ 17,590,989.57	
Expenditures				
General government	\$ 4,192,700.00	\$ 4,194,400.00	\$ 3,063,564.31	\$ 1,130,835.69
Public health and safety	8,129,100.00	8,128,600.00	7,128,940.20	999,659.80
Streets, alleys and cemeteries	3,034,700.00	3,054,700.00	2,654,125.26	400,574.74
Cultural & recreation	1,652,200.00	2,326,700.00	2,092,418.53	234,281.47
Development	845,300.00	1,195,300.00	973,640.00	221,660.00
Total Expenditures	\$ 17,854,000.00	\$ 18,899,700.00	\$ 15,912,688.30	\$ 2,987,011.70
Excess (Deficiency) of Revenues Over Expenditures			\$ 1,678,301.27	
Other Financing Sources (Uses)				
Proceeds from long-term debt			\$ 73,950.91	
Transfers in (out)			(1,562,364.53)	
Total Other Financing Sources (Uses)			\$ (1,488,413.62)	
Net Change in Fund Balances			\$ 189,887.65	

See accompanying notes to financial statements.

City of Marion, Illinois
TIF Redevelopment Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (with Variances)
For the year ended April 30, 2012

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes			\$ 4,659,549.80	
Grant revenue			190,068.72	
Investment income			3,799.93	
Total Revenues			\$ 4,853,418.45	
Expenditures				
Development	\$ 4,830,900.00	\$ 4,746,900.00	\$ 4,347,886.24	\$ 399,013.76
Streets, alleys and cemeteries	992,300.00	1,107,300.00	1,085,284.17	22,015.83
Total Expenditures	\$ 5,823,200.00	\$ 5,854,200.00	\$ 5,433,170.41	\$ 421,029.59
Excess (Deficiency) of Revenues Over Expenditures			\$ (579,751.96)	
Other Financing Sources (Uses)				
Transfers in (out)			(141,531.40)	
Total Other Financing Sources (Uses)			\$ (141,531.40)	
Net Change in Fund Balances			\$ (721,283.36)	

See accompanying notes to financial statements.

City of Marion, Illinois
Notes to Required Supplemental Information
April 30, 2012

The City Council annually passes an appropriations ordinance which includes all fund types using the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Each fund's appropriations are prepared on a detailed line item basis. Expenditures are appropriated by department and class as follows: salaries and benefits, services and charges, supplies, capital outlay, debt service. For each fund, total fund expenditures may not legally exceed the appropriated amounts. All unexpended budget appropriations lapse at the end of each fiscal year.

The fund financial statements in this report are prepared on the modified accrual basis. The appropriations ordinance is prepared using the cash basis of accounting. The following schedule reconciles the difference between the legally enacted appropriations and General and TIF fund expenditures:

	<u>Actual on GAAP Basis</u>	<u>Adjustment to Appropriated Basis</u>	<u>Actual on Appropriated Basis</u>	<u>Appropriations</u>	<u>Variance Over (Under)</u>
Expenditures					
General					
General Government	\$ 3,072,928.63	\$ (9,364.32)	\$ 3,063,564.31	\$ 4,194,400.00	\$ 1,130,835.69
Public health and safety	7,163,766.79	(34,826.59)	7,128,940.20	8,128,600.00	999,659.80
Streets, alleys and cemeteries	2,871,982.19	(217,856.93)	2,654,125.26	3,054,700.00	400,574.74
Cultural and recreation	2,363,039.35	(270,620.82)	2,092,418.53	2,326,700.00	234,281.47
Development	990,158.00	(16,518.00)	973,640.00	1,195,300.00	221,660.00
Debt service	<u>90,463.68</u>	<u>(90,463.68)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$16,552,338.64</u>	<u>\$ (639,650.34)</u>	<u>\$15,912,688.30</u>	<u>\$ 18,899,700.00</u>	<u>\$ 2,987,011.70</u>
TIF Redevelopment					
Streets, alleys and cemeteries	\$ 1,131,857.01	\$ (60,255.74)	\$ 1,085,284.17	\$ 1,107,300.00	\$ 22,015.83
Development	<u>3,318,971.24</u>	<u>1,028,915.00</u>	<u>4,347,886.24</u>	<u>4,746,900.00</u>	<u>399,013.76</u>
Total Expenditures	<u>\$ 4,450,828.25</u>	<u>\$ 968,659.26</u>	<u>\$ 5,433,170.41</u>	<u>\$ 5,854,200.00</u>	<u>\$ 421,029.59</u>

The City operated within the legal confines of the appropriations ordinance prepared on the cash basis of accounting.

**City of Marion, Illinois
Pension Trust Funds
Schedule of Funding Progress
April 30, 2012**

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability Entry Age Normal Cost</u>	<u>(3) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)</u>	<u>(4) Funded Ratio (1) ÷ (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (3) ÷ (5)</u>
<u>FIRE PENSION FUND:</u>						
May 1, 2011	\$ 7,614,409	\$10,658,520	\$ 3,044,111	71.44%	\$ 1,440,119	211.38%
May 1, 2010	\$ 7,391,783	\$ 9,735,460	\$ 2,343,677	75.93%	\$ 1,208,138	193.99%
May 1, 2009	\$ 6,818,455	\$ 8,914,111	\$ 2,095,656	76.49%	\$ 1,192,042	175.80%
May 1, 2008	\$ 6,452,309	\$ 8,372,119	\$ 1,919,810	77.07%	\$ 1,063,456	180.53%
May 1, 2007	\$ 5,899,524	\$ 7,973,284	\$ 2,073,760	73.99%	\$ 1,016,192	204.07%
May 1, 2006	\$ 5,395,594	\$ 7,580,445	\$ 2,184,851	71.18%	\$ 943,341	231.61%
May 1, 2004	\$ 4,498,873	\$ 6,825,670	\$ 2,326,797	65.91%	\$ 870,071	267.43%
May 1, 2003	\$ 4,090,617	\$ 6,291,568	\$ 2,200,951	65.02%	\$ 829,553	265.32%
May 1, 2002	\$ 3,793,612	\$ 5,665,807	\$ 1,872,195	66.96%	\$ 840,051	222.87%
May 1, 2001	\$ 3,726,057	\$ 4,957,165	\$ 1,231,108	75.17%	\$ 776,187	158.61%
<u>POLICE PENSION FUND:</u>						
May 1, 2011	\$ 8,190,964	\$12,838,296	\$ 4,647,332	63.80%	\$ 1,529,445	303.86%
May 1, 2010	\$ 7,531,207	\$11,383,210	\$ 3,852,003	66.16%	\$ 1,533,252	251.23%
May 1, 2009	\$ 6,842,006	\$10,407,181	\$ 3,565,175	65.74%	\$ 1,426,356	249.95%
May 1, 2008	\$ 6,462,170	\$ 9,802,662	\$ 3,340,492	65.92%	\$ 1,294,652	258.02%
May 1, 2007	\$ 5,886,026	\$ 8,757,129	\$ 2,871,103	67.21%	\$ 1,167,857	245.84%
May 1, 2006	\$ 5,349,038	\$ 7,821,520	\$ 2,472,482	68.39%	\$ 1,130,147	218.78%
May 1, 2004	\$ 4,362,707	\$ 7,245,549	\$ 2,882,842	60.21%	\$ 948,637	303.89%
May 1, 2003	\$ 3,967,543	\$ 6,868,834	\$ 2,901,291	57.76%	\$ 886,952	327.11%
May 1, 2002	\$ 3,799,614	\$ 6,391,830	\$ 2,592,216	59.44%	\$ 854,356	303.41%
May 1, 2001	\$ 3,741,021	\$ 5,758,822	\$ 2,017,801	64.96%	\$ 893,450	225.84%

See accompanying notes to financial statements.

**City of Marion, Illinois
Pension Trust Funds
Schedule of Employer Contributions
April 30, 2012**

Fire Pension Fund:

<u>Fiscal Year Ended April 30,</u>	<u>Required Contribution</u>	<u>Total Employer Contribution (b)</u>	<u>Annual Percentage Contributed</u>
2003	191,328	191,328	100.00%
2004	191,328	242,874	126.94%
2005	258,191	261,836	101.41%
2006	258,191	276,099	106.94%
2007	250,086	296,707	118.64%
2008	297,730	318,740	107.06%
2009	283,206	331,040	116.89%
2010	313,279	355,300	113.41%
2011	341,754	366,400	107.21%
2012	394,868	384,670	97.42%

Police Pension Fund:

<u>Fiscal Year Ended April 30,</u>	<u>Required Contribution</u>	<u>Total Employer Contribution (b)</u>	<u>Annual Percentage Contributed</u>
2003	215,855	215,855	100.00%
2004	215,855	247,416	114.62%
2005	292,134	264,249	90.45%
2006	292,134	312,024	106.81%
2007	320,303	366,975	114.57%
2008	378,175	394,260	104.25%
2009	408,367	418,960	102.59%
2010	447,074	535,500	119.78%
2011	494,072	542,800	109.86%
2012	554,610	569,900	102.76%

See accompanying notes to financial statements.

Other Supplemental Information

**City of Marion, Illinois
Non-Major Governmental Funds
Combining Balance Sheet
April 30, 2012**

	<u>Permanent Funds</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ -	\$ 1,338,935.51	\$ -	\$ -	\$ 1,338,935.51
Restricted cash and cash equivalents	-	-	1,186,400.32	-	1,186,400.32
Investments	1,833.77	-	-	-	1,833.77
Due from other governments	-	33,378.33	-	-	33,378.33
Property taxes receivable	-	113,540.47	368,175.00	-	481,715.47
Loans receivable, net	-	1,352,337.58	-	-	1,352,337.58
Accounts receivable	-	86,242.07	-	-	86,242.07
Due from other funds	-	52,265.93	150,000.00	-	202,265.93
Total Assets	<u>\$ 1,833.77</u>	<u>\$ 2,976,699.89</u>	<u>\$ 1,704,575.32</u>	<u>\$ -</u>	<u>\$ 4,683,108.98</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 83,992.00	\$ -	\$ 156,000.00	\$ 239,992.00
Due to other funds	-	300.00	-	30,000.00	30,300.00
Deferred revenue	-	113,540.47	518,175.00	-	631,715.47
Total Liabilities	<u>\$ -</u>	<u>\$ 197,832.47</u>	<u>\$ 518,175.00</u>	<u>\$ 186,000.00</u>	<u>\$ 902,007.47</u>
Fund Balances					
Nonspendable	\$ 1,000.00	\$ -	\$ -	\$ -	\$ 1,000.00
Restricted	-	2,778,867.42	1,186,400.32	-	3,965,267.74
Unassigned	833.77	-	-	(186,000.00)	(185,166.23)
Total Fund Balances	<u>\$ 1,833.77</u>	<u>\$ 2,778,867.42</u>	<u>\$ 1,186,400.32</u>	<u>\$ (186,000.00)</u>	<u>\$ 3,781,101.51</u>
Total Liabilities and Fund Balances	<u>\$ 1,833.77</u>	<u>\$ 2,976,699.89</u>	<u>\$ 1,704,575.32</u>	<u>\$ -</u>	<u>\$ 4,683,108.98</u>

See accompanying notes to financial statements.

City of Marion, Illinois
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2012

	<u>Permanent Funds</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ -	\$ 114,178.97	\$ 550,000.14	\$ -	\$ 664,179.11
Intergovernmental	-	508,501.28	-	-	508,501.28
Other taxes and franchise fees	-	514,051.43	-	-	514,051.43
Service charges and fees	-	112,497.71	-	-	112,497.71
Investment income	11.00	49,870.73	686.07	0.04	50,567.84
Grant revenue	-	50,000.00	-	3,998.42	53,998.42
Miscellaneous	-	1,200.00	-	-	1,200.00
Total Revenues	<u>\$ 11.00</u>	<u>\$ 1,350,300.12</u>	<u>\$ 550,686.21</u>	<u>\$ 3,998.46</u>	<u>\$ 1,904,995.79</u>
Expenditures					
Public health and safety	-	70,860.90	-	-	70,860.90
Streets, alleys and cemeteries	-	1,017,350.97	-	203,926.80	1,221,277.77
Debt service	-	-	2,013,879.55	-	2,013,879.55
Development	-	11,900.19	-	-	11,900.19
Total Expenditures	<u>\$ -</u>	<u>\$ 1,100,112.06</u>	<u>\$ 2,013,879.55</u>	<u>\$ 203,926.80</u>	<u>\$ 3,317,918.41</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11.00</u>	<u>\$ 250,188.06</u>	<u>\$ (1,463,193.34)</u>	<u>\$ (199,928.34)</u>	<u>\$ (1,412,922.62)</u>
Other Financing Sources (Uses)					
Transfers in (out)	\$ -	\$ (72,446.73)	\$ 1,820,318.63	\$ 13,384.82	\$ 1,761,256.72
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (72,446.73)</u>	<u>\$ 1,820,318.63</u>	<u>\$ 13,384.82</u>	<u>\$ 1,761,256.72</u>
Net Change in Fund Balances	\$ 11.00	\$ 177,741.33	\$ 357,125.29	\$ (186,543.52)	\$ 348,334.10
Fund Balances - Beginning of Year	182,009.22	2,500,611.67	829,275.03	543.52	3,512,439.44
Residual equity transfer	(180,186.45)	100,514.42	-	-	\$ (79,672.03)
Fund Balances - End of Year	<u>\$ 1,833.77</u>	<u>\$ 2,778,867.42</u>	<u>\$ 1,186,400.32</u>	<u>\$ (186,000.00)</u>	<u>\$ 3,781,101.51</u>

See accompanying notes to financial statements.

**City of Marion, Illinois
Non-Major Permanent Funds
Combining Balance Sheet
April 30, 2012**

	<u>Throgmorton Endowment Fund</u>
Assets	
Investments	\$ 1,833.77
Total Assets	<u>\$ 1,833.77</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ -
Total Liabilities	<u>\$ -</u>
Fund Balances	
Nonspendable Fund Balance	\$ 1,000.00
Unassigned Fund Balance	<u>833.77</u>
Total Fund Balances	<u>\$ 1,833.77</u>
Total Liabilities and Fund Balances	<u>\$ 1,833.77</u>

See accompanying notes to financial statements.

City of Marion, Illinois
Non-Major Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2012

	Throgmorton Endowment Fund
Revenues	
Investment income	\$ 11.00
Total Revenues	\$ 11.00
Expenditures	
General government	\$ -
Streets, alleys and cemeteries	-
Total Expenditures	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 11.00
Fund Balances- Beginning of Year	182,009.22
Residual equity transfer	(180,186.45)
Fund Balances - End of Year	\$ 1,833.77

See accompanying notes to financial statements.

**City of Marion, Illinois
Non-Major Special Revenue Funds
Combining Balance Sheet
April 30, 2012**

	<u>Road and Bridge Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Gas Tax Fund</u>	<u>Business Improvement Fund</u>	<u>Foreign Fire Insurance Fund</u>	<u>Special Revenues Police Fund</u>	<u>Total - Special Revenue Funds</u>
Assets							
Cash and cash equivalents	\$ 229,889.82	\$ 621,935.38	\$ 211,931.37	\$ 171,377.93	\$ 38,811.61	\$ 64,989.40	\$ 1,338,935.51
Due from other governments	-	33,378.33	-	-	-	-	33,378.33
Property taxes receivable	113,540.47	-	-	-	-	-	113,540.47
Loans receivable, net	-	-	-	1,352,337.58	-	-	1,352,337.58
Accounts receivable	-	-	56,886.40	-	-	29,355.67	86,242.07
Due from other funds	-	-	52,265.93	-	-	-	52,265.93
Total Assets	<u>\$ 343,430.29</u>	<u>\$ 655,313.71</u>	<u>\$ 321,083.70</u>	<u>\$ 1,523,715.51</u>	<u>\$ 38,811.61</u>	<u>\$ 94,345.07</u>	<u>\$ 2,976,699.89</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 83,257.00	\$ -	\$ 735.00	\$ -	\$ 83,992.00
Due to other funds	-	-	-	-	300.00	-	300.00
Deferred revenue	113,540.47	-	-	-	-	-	113,540.47
Total Liabilities	<u>\$ 113,540.47</u>	<u>\$ -</u>	<u>\$ 83,257.00</u>	<u>\$ -</u>	<u>\$ 1,035.00</u>	<u>\$ -</u>	<u>\$ 197,832.47</u>
Fund Balances							
Restricted for future loans	\$ -	\$ -	\$ -	\$ 1,523,715.51	\$ -	\$ -	\$ 1,523,715.51
Restricted for maintenance of roadways	229,889.82	655,313.71	237,826.70	-	-	-	1,123,030.23
Restricted for public safety expenditures	-	-	-	-	37,776.61	94,345.07	132,121.68
Total Fund Balances	<u>\$ 229,889.82</u>	<u>\$ 655,313.71</u>	<u>\$ 237,826.70</u>	<u>\$ 1,523,715.51</u>	<u>\$ 37,776.61</u>	<u>\$ 94,345.07</u>	<u>\$ 2,778,867.42</u>
Total Liabilities and Fund Balances	<u>\$ 343,430.29</u>	<u>\$ 655,313.71</u>	<u>\$ 321,083.70</u>	<u>\$ 1,523,715.51</u>	<u>\$ 38,811.61</u>	<u>\$ 94,345.07</u>	<u>\$ 2,976,699.89</u>

See accompanying notes to financial statements.

City of Marion, Illinois
 Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended April 30, 2012

	Road and Bridge Fund	Motor Fuel Tax Fund	Gas Tax Fund	Business Improvement Fund	Foreign Fire Insurance Fund	Special Revenues Police Fund	Total - Special Revenue Funds
Revenues							
Property taxes	\$ 114,178.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,178.97
Intergovernmental	-	508,501.28	-	-	-	-	508,501.28
Service charges and fees	-	-	-	48,450.27	-	112,497.71	160,947.98
Other taxes	203.66	-	471,391.02	-	42,456.75	-	514,051.43
Investment income	220.13	316.70	249.46	579.28	-	54.89	1,420.46
Grant revenue	-	50,000.00	-	-	-	-	50,000.00
Miscellaneous	-	-	-	1,200.00	-	-	1,200.00
Total Revenues	\$ 114,602.76	\$ 558,817.98	\$ 471,640.48	\$ 50,229.55	\$ 42,456.75	\$ 112,552.60	\$ 1,350,300.12
Expenditures							
Public health and safety	\$ -	\$ -	\$ -	\$ -	\$ 37,808.00	\$ 33,052.90	\$ 70,860.90
Streets, alleys and cemeteries	291,412.74	248,366.43	477,571.80	-	-	-	1,017,350.97
Development	-	-	-	11,900.19	-	-	11,900.19
Total Expenditures	\$ 291,412.74	\$ 248,366.43	\$ 477,571.80	\$ 11,900.19	\$ 37,808.00	\$ 33,052.90	\$ 1,100,112.06
Excess (Deficiency) of Revenues Over Expenditures	\$ (176,809.98)	\$ 310,451.55	\$ (5,931.32)	\$ 38,329.36	\$ 4,648.75	\$ 79,499.70	\$ 250,188.06
Other Financing Sources (Uses)							
Transfers in (out)	\$ 11,840.40	\$ 1,381.92	\$ -	\$ -	\$ -	\$ (85,669.05)	\$ (72,446.73)
Total Other Financing Sources (Uses)	\$ 11,840.40	\$ 1,381.92	\$ -	\$ -	\$ -	\$ (85,669.05)	\$ (72,446.73)
Net Change In Fund Balances	\$ (164,969.58)	\$ 311,833.47	\$ (5,931.32)	\$ 38,329.36	\$ 4,648.75	\$ (6,169.35)	\$ 177,741.33
Fund Balances - Beginning of Year	394,859.40	343,480.24	243,758.02	1,485,386.15	33,127.86	-	2,500,611.67
Residual equity transfer	-	-	-	-	-	100,514.42	100,514.42
Fund Balances - End of Year	\$ 229,889.82	\$ 655,313.71	\$ 237,826.70	\$ 1,523,715.51	\$ 37,776.61	\$ 94,345.07	\$ 2,778,867.42

See accompanying notes to financial statements.

**City of Marion, Illinois
Non-Major Debt Service Funds
Combining Balance Sheet
April 30, 2012**

	<u>Illinois Centre Mall Bonds</u>	<u>Library Debt Service</u>	<u>2006 Refunding Bonds</u>	<u>2005 Refunding Bonds</u>	<u>TIF Debt Service</u>	<u>SSA Debt Service</u>	<u>Total - Debt Service Funds</u>
Assets							
Restricted cash and cash equivalents	\$ 1.03	\$ -	\$ 564,308.59	\$ 90,366.68	\$ 131,456.28	\$ 400,267.74	\$ 1,186,400.32
Property tax receivable	-	-	-	-	-	368,175.00	368,175.00
Due from other funds	-	-	-	150,000.00	-	-	150,000.00
Total Assets	<u>\$ 1.03</u>	<u>\$ -</u>	<u>\$ 564,308.59</u>	<u>\$ 240,366.68</u>	<u>\$ 131,456.28</u>	<u>\$ 768,442.74</u>	<u>\$ 1,704,575.32</u>
Liabilities and Fund Balances							
Liabilities							
Deferred revenue	\$ -	\$ -	\$ -	\$ 150,000.00	\$ -	\$ 368,175.00	\$ 518,175.00
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000.00</u>	<u>\$ -</u>	<u>\$ 368,175.00</u>	<u>\$ 518,175.00</u>
Fund Balances							
Restricted for debt service	\$ 1.03	\$ -	\$ 564,308.59	\$ 90,366.68	\$ 131,456.28	\$ 400,267.74	\$ 1,186,400.32
Total Fund Balances	<u>\$ 1.03</u>	<u>\$ -</u>	<u>\$ 564,308.59</u>	<u>\$ 90,366.68</u>	<u>\$ 131,456.28</u>	<u>\$ 400,267.74</u>	<u>\$ 1,186,400.32</u>
Total Liabilities and Fund Balances	<u>\$ 1.03</u>	<u>\$ -</u>	<u>\$ 564,308.59</u>	<u>\$ 240,366.68</u>	<u>\$ 131,456.28</u>	<u>\$ 768,442.74</u>	<u>\$ 1,704,575.32</u>

See accompanying notes to financial statements.

City of Marion, Illinois
Non-Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2012

	<u>Illinois Centre Mall Bonds</u>	<u>Library Debt Service</u>	<u>2006 Refunding Bonds</u>	<u>2005 Refunding Bonds</u>	<u>TIF Debt Service</u>	<u>SSA Debt Service</u>	<u>Total - Debt Service Funds</u>
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ 150,000.00	\$ -	\$ 400,000.14	\$ 550,000.14
Investment income	84.60	5.67	173.69	72.97	81.53	267.61	686.07
Total Revenues	<u>\$ 84.60</u>	<u>\$ 5.67</u>	<u>\$ 173.69</u>	<u>\$ 150,072.97</u>	<u>\$ 81.53</u>	<u>\$ 400,267.75</u>	<u>\$ 550,686.21</u>
Expenditures							
Debt service	\$ 890,118.75	\$ 91,743.75	\$ 250,635.00	\$ 596,496.25	\$ 127,525.00	\$ 57,360.80	\$ 2,013,879.55
Total Expenditures	<u>\$ 890,118.75</u>	<u>\$ 91,743.75</u>	<u>\$ 250,635.00</u>	<u>\$ 596,496.25</u>	<u>\$ 127,525.00</u>	<u>\$ 57,360.80</u>	<u>\$ 2,013,879.55</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (890,034.15)</u>	<u>\$ (91,738.08)</u>	<u>\$ (250,461.31)</u>	<u>\$ (446,423.28)</u>	<u>\$ (127,443.47)</u>	<u>\$ 342,906.95</u>	<u>\$ (1,463,193.34)</u>
Other Financing Sources (Uses)							
Transfers in (out)	\$ 379,122.15	\$ 31,427.84	\$ 772,107.85	\$ 451,800.00	\$ 128,500.00	\$ 57,360.79	\$ 1,820,318.63
Total Other Financing Sources and Uses	<u>\$ 379,122.15</u>	<u>\$ 31,427.84</u>	<u>\$ 772,107.85</u>	<u>\$ 451,800.00</u>	<u>\$ 128,500.00</u>	<u>\$ 57,360.79</u>	<u>\$ 1,820,318.63</u>
Net Change in Fund Balances	\$ (510,912.00)	\$ (60,310.24)	\$ 521,646.54	\$ 5,376.72	\$ 1,056.53	\$ 400,267.74	\$ 357,125.29
Fund Balances - Beginning of Year	<u>510,913.03</u>	<u>60,310.24</u>	<u>42,662.05</u>	<u>84,989.96</u>	<u>130,399.75</u>	<u>-</u>	<u>829,275.03</u>
Fund Balances - End of Year	<u>\$ 1.03</u>	<u>\$ -</u>	<u>\$ 564,308.59</u>	<u>\$ 90,366.68</u>	<u>\$ 131,456.28</u>	<u>\$ 400,267.74</u>	<u>\$ 1,186,400.32</u>

See accompanying notes to financial statements.

**City of Marion, Illinois
Non-Major Capital Project Funds
Combining Balance Sheet
April 30, 2012**

	<u>General Projects Fund</u>	<u>FAI 57 Morgan Avenue Exchange</u>	<u>Total - Capital Project Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-
Due from other governments	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 156,000.00	\$ -	\$ 156,000.00
Due to other funds	30,000.00	-	30,000.00
Total Liabilities	<u>\$ 186,000.00</u>	<u>\$ -</u>	<u>\$ 186,000.00</u>
Fund Balances			
Unassigned Fund Balance	\$ (186,000.00)	\$ -	\$ (186,000.00)
Total Fund Balances	<u>\$ (186,000.00)</u>	<u>\$ -</u>	<u>\$ (186,000.00)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

City of Marion, Illinois
Non-Major Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2012

	<u>General Projects Fund</u>	<u>FAI 57 Morgan Avenue Exchange</u>	<u>Total - Capital Project Funds</u>
Revenues			
Investment income	\$ -	\$ 0.04	\$ 0.04
Grant revenue	-	3,998.42	3,998.42
Total Revenues	<u>\$ -</u>	<u>\$ 3,998.46</u>	<u>\$ 3,998.46</u>
Expenditures			
Streets, alleys and cemeteries	\$ 186,000.00	\$ 17,926.80	\$ 203,926.80
Total Expenditures	<u>\$ 186,000.00</u>	<u>\$ 17,926.80</u>	<u>\$ 203,926.80</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (186,000.00)</u>	<u>\$ (13,928.34)</u>	<u>\$ (199,928.34)</u>
Other Financing Sources (Uses)			
Transfers in (out)	\$ (8.66)	\$ 13,393.48	\$ 13,384.82
Total Other Financing Sources and Uses	<u>\$ (8.66)</u>	<u>\$ 13,393.48</u>	<u>\$ 13,384.82</u>
Net Change in Fund Balances	<u>\$ (186,008.66)</u>	<u>\$ (534.86)</u>	<u>\$ (186,543.52)</u>
Fund Balances - Beginning of Year	<u>8.66</u>	<u>534.86</u>	<u>543.52</u>
Fund Balances - End of Year	<u>\$ (186,000.00)</u>	<u>\$ (0.00)</u>	<u>\$ (186,000.00)</u>

See accompanying notes to financial statements.

City of Marlon, Illinois
 General Fund Types
 Combining Balance Sheet
 April 30, 2012

	General	Goddard Chapel Restoration	Cultural and Civic Center	Senior Citizens Council	Recreation Department	Bayton Street Community Center	Carnegie Library	Pavillion	Total - General Fund Types
Assets									
Cash and cash equivalents	\$ 4,217,065.08	\$ 12,117.15	\$ 97,917.32	\$ 32,576.56	\$ 1,048.67	\$ 2,520.82	\$ 25,124.01	\$ 77,885.14	\$ 4,466,254.75
Restricted cash and cash equivalents	241,675.37	-	114,661.06	-	-	1,164.71	13,309.00	-	370,810.14
Investments	3,447,877.67	16,587.11	1,377.80	-	-	-	46,297.24	-	3,512,139.82
Restricted investments	-	-	-	12,433.50	-	-	55,282.86	-	67,716.36
Property taxes receivable	1,107,300.00	-	-	-	-	-	-	-	1,107,300.00
Sales taxes receivable	3,377,843.00	-	-	-	-	-	-	-	3,377,843.00
Accrued interest receivable	17,924.45	-	-	20.85	-	-	-	-	17,945.30
Due from other governments	876,461.21	-	-	-	-	-	1,800.00	-	878,261.21
Accounts Receivable	93,711.68	-	-	-	-	-	-	51,655.28	145,366.96
Total Assets	\$ 13,379,858.46	\$ 28,704.26	\$ 213,956.18	\$ 45,030.91	\$ 1,048.67	\$ 3,685.53	\$ 141,813.11	\$ 129,540.42	\$ 13,943,637.54
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 178,226.33	\$ -	\$ 67,245.64	\$ 7,905.45	\$ 734.20	\$ 21,429.80	\$ 10,576.21	\$ 5,046.03	\$ 291,163.46
Due to other funds	182,297.93	-	393.00	779.00	86.00	89.00	541.00	-	184,185.93
Deferred revenues	957,300.00	-	-	-	-	-	-	-	957,300.00
Accrued payroll	131,163.29	-	3,037.65	4,109.84	1,871.50	2,125.62	7,638.63	1,728.78	151,673.31
Accrued vacation	269,013.19	-	8,649.00	12,558.65	-	4,306.40	20,635.67	-	315,162.91
Accrued payroll related expenses	118,003.79	-	-	-	-	-	-	-	118,003.79
Total Liabilities	\$ 1,836,004.53	\$ -	\$ 79,325.29	\$ 25,352.94	\$ 2,691.70	\$ 27,950.62	\$ 39,389.51	\$ 6,774.81	\$ 2,017,489.40
Fund Balances									
Restricted for public safety expenditures	\$ 134,605.49	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,605.49
Restricted for donor expenditures	-	-	68,679.06	12,454.35	-	1,164.71	68,591.86	-	150,889.98
Assigned	408,360.00	-	72,444.29	-	-	-	-	-	480,804.29
Committed	4,430,677.50	-	-	-	-	-	-	-	4,430,677.50
Unassigned	6,570,210.94	28,704.26	(6,492.46)	7,223.62	(1,643.03)	(25,429.80)	33,831.74	122,765.61	6,729,170.88
Total Fund Balances	\$ 11,543,853.93	\$ 28,704.26	\$ 134,630.89	\$ 19,677.97	\$ (1,643.03)	\$ (24,265.09)	\$ 102,423.60	\$ 122,765.61	\$ 11,926,148.14
Total Liabilities and Fund Balances	\$ 13,379,858.46	\$ 28,704.26	\$ 213,956.18	\$ 45,030.91	\$ 1,048.67	\$ 3,685.53	\$ 141,813.11	\$ 129,540.42	\$ 13,943,637.54

See accompanying notes to financial statements

City of Marion, Illinois
General Fund Types
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2012

	General	Goddard Chapel Restoration	Cultural and Civic Center	Senior Citizens Council	Recreation Department	Boyton Street Community Center	Carnegie Library	Pavilion	Total - General Fund Types
Revenues									
Property tax	\$ 921,613.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 921,613.98
Sales tax	13,230,884.74	-	-	-	-	-	-	-	13,230,884.74
Grant revenue	551,119.97	-	7,000.00	53,081.75	-	44,431.87	29,088.62	-	684,720.21
Licenses and permits	80,003.92	-	-	-	-	-	-	-	80,003.92
Intergovernmental revenues	1,479,662.13	-	-	-	-	-	-	-	1,479,662.13
Service charges and fees	227,002.80	5,170.00	168,881.37	58,409.20	24,313.78	290.00	29,881.73	146,847.82	660,696.70
Other taxes and franchise fees	625,593.02	-	-	-	-	-	-	378,870.98	1,004,464.00
Investment income	80,159.80	128.67	225.03	128.81	-	4.42	263.32	1.71	80,609.78
Miscellaneous revenue	90,003.55	-	58,038.53	10,100.20	-	4,185.81	7,399.40	213,684.43	381,411.72
Restricted donations	-	-	33,778.93	-	-	817.71	5,437.82	-	39,832.56
Total Revenues	\$ 17,288,043.89	\$ 5,298.67	\$ 265,921.68	\$ 121,719.96	\$ 24,313.78	\$ 49,529.81	\$ 72,168.99	\$ 739,404.94	\$ 18,584,398.70
Expenditures									
General government	\$ 2,325,622.98	\$ -	\$ -	\$ 465,618.80	\$ -	\$ 281,688.87	\$ -	\$ -	\$ 3,072,928.63
Public health and safety	7,163,768.79	-	-	-	-	-	-	-	7,163,768.79
Streets, alleys and cemeteries	2,669,767.56	2,214.63	-	-	-	-	-	-	2,671,982.19
Culture and recreation	-	-	703,684.69	-	64,343.73	-	904,420.69	690,590.24	2,383,039.35
Development	990,158.00	-	-	-	-	-	-	-	990,158.00
Debt Service	80,483.88	-	-	-	-	-	-	-	80,483.88
Total Expenditures	\$ 13,439,778.99	\$ 2,214.63	\$ 703,684.68	\$ 465,618.80	\$ 64,343.73	\$ 281,688.87	\$ 904,420.69	\$ 690,590.24	\$ 16,552,338.84
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,848,264.90	\$ 3,082.04	\$ (437,762.83)	\$ (343,898.84)	\$ (40,029.95)	\$ (232,157.28)	\$ (832,251.70)	\$ 48,814.70	\$ 2,012,061.06
Other Financing Sources (Uses)									
Transfers in (out)	\$ (3,348,193.66)	\$ -	\$ 318,597.55	\$ 349,058.12	\$ 33,433.22	\$ 205,814.39	\$ 823,565.06	\$ -	\$ (1,619,725.32)
Extraordinary item	(2,981,339.27)	-	-	-	-	-	-	(2,068,848.09)	(5,050,287.36)
Proceeds from long-term debt, net	3,209,881.34	-	-	-	-	-	-	2,142,899.00	5,352,880.34
Total Other Financing Sources (Uses)	\$ (3,119,551.59)	\$ -	\$ 318,597.55	\$ 349,058.12	\$ 33,433.22	\$ 205,814.39	\$ 823,565.06	\$ 73,050.91	\$ (1,317,132.34)
Net Change in Fund Balances	\$ 726,713.31	\$ 3,082.04	\$ (121,165.28)	\$ 5,159.28	\$ (6,590.73)	\$ (26,342.87)	\$ (6,686.64)	\$ 122,785.61	\$ 694,928.72
Fund Balances - Beginning of Year	10,737,468.59	25,622.22	268,758.57	14,518.69	4,053.70	2,077.78	111,110.24	-	11,184,509.79
Residual equity transfer	79,672.03	-	(12,882.40)	-	-	-	-	-	66,789.63
Fund Balances - End of Year	\$ 11,543,853.93	\$ 28,704.26	\$ 134,630.69	\$ 19,677.97	\$ (1,643.03)	\$ (24,265.09)	\$ 102,423.60	\$ 122,785.61	\$ 11,826,148.14

See accompanying notes to financial statements.

City of Marion, Illinois
TIF Redevelopment Fund
Combining Balance Sheet
April 30, 2012

	TIF #1	TIF #4	TIF #5	TIF #6	TIF #7	TIF #8	TIF #9	TIF #10	TIF #11	TIF #12	TIF #13	TIF Redevelopment Fund
Assets												
Cash and cash equivalents	\$ 2,730,462.25	\$ 377,245.41	\$ 144,533.38	\$ 40.04	\$ 316,344.19	\$ 233,919.05	\$ -	\$ 36.60	\$ 11,153.40	\$ 9.45	\$ 96.33	\$ 3,813,840.10
Property taxes receivable	2,092,165.00	106,170.00	127,445.00	34,524.00	883,491.00	128,333.00	-	1,047,470.00	16,672.00	50,518.00	14,610.00	4,501,598.00
Due from other funds	-	-	-	-	-	-	-	-	-	14,627.50	-	14,627.50
Total Assets	\$ 4,822,627.25	\$ 483,415.41	\$ 271,978.38	\$ 34,564.04	\$ 1,199,835.19	\$ 362,252.05	\$ -	\$ 1,047,506.60	\$ 28,025.40	\$ 65,154.95	\$ 14,706.33	\$ 8,330,065.60
Liabilities and Fund Balances												
Liabilities												
Accounts payable	\$ 84,734.50	\$ 69,272.37	\$ -	\$ 5,421.00	\$ -	\$ -	\$ -	\$ 201,148.00	\$ -	\$ 37,471.72	\$ -	\$ 398,047.59
Deferred revenue	2,092,165.00	106,170.00	127,445.00	34,524.00	883,491.00	128,333.00	-	1,047,470.00	16,672.00	50,518.00	14,610.00	4,501,598.00
Total Liabilities	\$ 2,176,899.50	\$ 175,442.37	\$ 127,445.00	\$ 39,945.00	\$ 883,491.00	\$ 128,333.00	\$ -	\$ 1,248,618.00	\$ 16,672.00	\$ 87,989.72	\$ 14,610.00	\$ 4,899,645.59
Fund Balances												
Restricted	\$ 2,645,727.75	\$ 307,973.04	\$ 144,533.38	\$ (5,380.96)	\$ 316,344.19	\$ 233,919.05	\$ -	\$ (201,111.40)	\$ 11,153.40	\$ (22,834.77)	\$ 96.33	\$ 3,430,420.01
Total Fund Balances	\$ 2,645,727.75	\$ 307,973.04	\$ 144,533.38	\$ (5,380.96)	\$ 316,344.19	\$ 233,919.05	\$ -	\$ (201,111.40)	\$ 11,153.40	\$ (22,834.77)	\$ 96.33	\$ 3,430,420.01
Total Liabilities and Fund Balances	\$ 4,822,627.25	\$ 483,415.41	\$ 271,978.38	\$ 34,564.04	\$ 1,199,835.19	\$ 362,252.05	\$ -	\$ 1,047,506.60	\$ 28,025.40	\$ 65,154.95	\$ 14,706.33	\$ 8,330,065.60

See accompanying notes to financial statements.

City of Marion, Illinois
TIF Redevelopment Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2012

	TIF #1	TIF #4	TIF #5	TIF #8	TIF #7	TIF #8	TIF #9	TIF #10	TIF #11	TIF #12	TIF #13	TIF Redevelopment Fund
Revenues												
Property taxes	\$ 2,026,277.12	\$ 98,011.70	\$ 122,690.54	\$ 33,046.58	\$ 653,796.80	\$ 123,884.12	\$ 313,881.38	\$ 1,052,142.08	\$ 14,973.82	\$ 19,660.36	\$ 585.50	\$ 4,659,549.80
Investment income	2,370.02	316.37	85.14	7.92	506.16	192.66	100.08	203.15	4.29	3.47	0.67	3,788.93
Grant revenue	-	-	-	-	-	-	390.40	-	-	189,678.32	-	190,068.72
Miscellaneous revenue	-	-	-	-	-	-	-	-	13,682.80	-	-	13,682.90
Total Revenues	\$ 2,028,647.14	\$ 98,328.07	\$ 122,885.68	\$ 33,054.50	\$ 654,302.96	\$ 124,176.78	\$ 314,471.86	\$ 1,052,345.23	\$ 28,660.81	\$ 209,542.15	\$ 586.17	\$ 4,887,101.35
Expenditures												
Administrative expenses	\$ 5,623.28	\$ 1,691.44	\$ 1,691.44	\$ 6,761.44	\$ 29,381.74	\$ 40,503.70	\$ 20,191.44	\$ 45,191.44	\$ 30,380.08	\$ -	\$ 7,191.44	\$ 203,647.45
Streets, alleys and cemeteries	40,915.25	207,891.16	-	-	178,089.81	2,710.00	488.00	-	6,826.00	692,838.79	-	1,131,857.01
Development	931,016.33	16,209.00	-	38,544.00	597,657.00	92,888.00	169,778.00	1,254,316.46	10,372.00	4,445.00	-	3,115,323.79
Total Expenditures	\$ 977,554.87	\$ 225,791.60	\$ 1,691.44	\$ 45,335.44	\$ 805,128.55	\$ 138,201.70	\$ 189,455.44	\$ 1,299,507.90	\$ 55,898.08	\$ 697,281.79	\$ 7,191.44	\$ 4,450,828.25
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,051,092.27	\$ (127,463.53)	\$ 121,294.24	\$ (12,280.94)	\$ 49,174.41	\$ (12,024.92)	\$ 115,016.42	\$ (247,162.67)	\$ (27,027.27)	\$ (487,739.64)	\$ (6,605.27)	\$ 416,273.10
Other Financing Sources (Uses)												
Transfers in (out)	\$ (1,226,974.42)	\$ (72,840.00)	\$ -	\$ 12,418.00	\$ -	\$ (4,900.00)	\$ (260,609.85)	\$ 803,590.00	\$ 38,180.00	\$ 464,804.87	\$ 4,900.00	\$ (141,531.40)
Total Other Financing Sources (Uses)	\$ (1,226,974.42)	\$ (72,840.00)	\$ -	\$ 12,418.00	\$ -	\$ (4,900.00)	\$ (260,609.85)	\$ 803,590.00	\$ 38,180.00	\$ 464,804.87	\$ 4,900.00	\$ (141,531.40)
Net Change in Fund Balances	\$ (175,882.15)	\$ (200,303.53)	\$ 121,294.24	\$ 137.06	\$ 49,174.41	\$ (16,824.92)	\$ (145,793.43)	\$ 656,427.33	\$ 11,152.73	\$ (22,834.77)	\$ (1,705.27)	\$ 274,741.70
Fund Balances - Beginning of Year	2,821,609.90	508,276.57	23,238.14	(5,518.02)	267,169.78	250,843.87	145,793.43	(857,538.73)	0.67	-	1,801.80	3,155,878.31
Fund Balances - End of Year	\$ 2,645,727.75	\$ 307,973.04	\$ 144,533.38	\$ (5,380.96)	\$ 316,344.19	\$ 233,019.05	\$ -	\$ (201,111.40)	\$ 11,153.40	\$ (22,834.77)	\$ 86.33	\$ 3,430,420.01

See accompanying notes to financial statements.

City of Marion, Illinois
General Fund
Summary of Expenditures by Department
For the year ended April 30, 2012

	Actual amounts, GAAP Basis	Adjustment to Budgetary Basis	Actual amounts, Budgetary Basis	Final Budget	Variance Favorable (Unfavorable)
General Government					
Public Affairs					
Personnel					
Salaries - elected	\$ 45,000.00	\$ -	\$ 45,000.00	\$ 45,000.00	\$ -
Salaries - employees	288,597.94	3,339.19	289,937.13	290,000.00	62.87
IMRF expense	31,364.45	-	31,364.45	31,400.00	35.55
Employer payroll taxes	24,294.19	-	24,294.19	24,300.00	5.81
Insurance - hospitalization and life	79,970.75	-	79,970.75	80,000.00	29.25
Insurance - workmen's compensation	17,151.00	(2,241.00)	14,910.00	15,000.00	90.00
Contractual services					
Advertising	6,660.57	(152.67)	6,507.90	11,500.00	4,992.10
Arbitration and grievance fees	-	-	-	4,600.00	4,600.00
Attorney fees	110,297.11	3,071.55	113,368.66	129,100.00	15,731.34
Auto allowance	-	-	-	900.00	900.00
Consulting fees	39,457.80	-	39,457.80	59,800.00	20,342.20
Contract labor	5,000.00	-	5,000.00	5,000.00	-
Demolition expense	20,650.00	500.00	21,150.00	21,500.00	350.00
Drugs and other testing	-	-	-	200.00	200.00
Dues and license	2,195.00	-	2,195.00	3,600.00	1,405.00
Engineering	4,626.00	-	4,626.00	23,600.00	18,974.00
Entertainment	388.91	-	388.91	500.00	131.09
ESDA expense	15,797.57	1,677.73	17,475.30	17,500.00	24.70
Filing fees	1,418.00	55.00	1,473.00	1,700.00	227.00
Grant expenditures	25,719.30	21,091.42	46,810.72	47,000.00	189.28
Homeless shelter	11,166.10	-	11,166.10	11,200.00	33.90
Insurance - liability	56,468.00	-	56,468.00	72,200.00	15,732.00
Internet Access	2,529.55	(79.00)	2,450.55	2,600.00	149.45
JULIE expense	3,401.42	(126.30)	3,275.12	4,000.00	724.88
Lifeline payments	240,000.00	-	240,000.00	249,500.00	9,500.00
Janitorial service	12,649.68	(45.79)	12,603.89	14,500.00	1,896.11
Maintenance - buildings	17,627.67	(11,451.98)	6,175.69	14,400.00	8,224.31
Maintenance - equipment	4,801.43	-	4,801.43	5,000.00	198.57
Maintenance - grounds	3,530.00	-	3,530.00	3,600.00	70.00
Maintenance - parking lots	392.02	-	392.02	5,600.00	5,407.98
Maintenance - system	-	-	-	300.00	300.00
Maintenance - vehicles	2,069.58	(30.60)	2,038.98	5,800.00	3,761.02
Medical insurance fee	-	-	-	14,700.00	14,700.00
New hire expense	-	-	-	300.00	300.00
Pest control	840.00	-	840.00	1,700.00	860.00
Postage	700.21	(32.00)	668.21	1,700.00	1,031.79
Professional fees	8,232.24	(1,000.00)	7,232.24	8,400.00	1,167.76
Programs	174,536.80	20,987.61	195,524.41	195,600.00	75.59
Property taxes	11,303.96	1,492.12	12,796.08	12,800.00	3.92
Rent	520.00	45.00	565.00	600.00	35.00
Sales Tax Reimbursement Program	166,710.00	(12,018.00)	154,692.00	201,300.00	46,608.00
Star Bonds expense	12,877.75	(3,986.25)	8,891.50	57,500.00	48,608.50
Street lighting	154,757.30	(1,518.83)	153,238.47	195,500.00	42,261.53
Telephone and paging	8,118.39	(255.34)	7,863.05	7,900.00	36.95
Tower expense	9,361.89	(124.21)	9,237.68	13,200.00	3,962.32
Training	7,249.45	(813.24)	6,436.21	17,100.00	10,663.79
Trash disposal	3,999.98	-	3,999.98	4,000.00	0.02
Travel	-	-	-	-	-
Utilities	15,284.85	(65.83)	15,218.82	27,700.00	12,481.18
Veterinarian fees	9,851.85	93.64	9,945.49	10,000.00	54.51
Commodities					
Boots, safety	5,117.16	1,918.93	7,036.09	15,800.00	8,763.91
Chemical expense	3,880.78	-	3,880.78	17,300.00	13,419.22
Fuel / oil - vehicles	7,098.62	3.75	7,102.37	10,600.00	3,497.63
Office expense	4,491.91	(342.93)	4,148.98	6,100.00	1,951.02
Supplies - janitorial	84.28	-	84.28	600.00	515.72
Supplies - operating	21,005.49	(511.55)	20,493.94	20,500.00	6.06
Supplies - other	5,870.81	(2,949.61)	2,921.20	9,200.00	6,278.80
Supplies - software	763.00	(349.00)	414.00	500.00	86.00
Small tools	146.22	-	146.22	1,200.00	1,053.78
Street sweeping	-	-	-	11,500.00	11,500.00
Uniforms	289.67	-	289.67	500.00	210.33
Capital outlay					
Building	32,289.00	8,363.04	40,652.04	40,700.00	47.96
Equipment	83,258.51	(21,759.88)	61,498.63	100,700.00	39,201.37
Land acquisition	-	-	-	69,000.00	69,000.00
Other expenditures					
Ball park payments	573,602.00	-	573,602.00	644,000.00	70,398.00
Debt redemption	88,835.28	-	88,835.28	102,200.00	13,364.72
Liability cash expense	2,230.01	-	2,230.01	12,700.00	10,469.99
Workmen's compensation related expense	1,301.11	-	1,301.11	1,400.00	98.89
Treasurer's Office					

See accompanying notes to financial statements.

**City of Marion, Illinois
General Fund
Summary of Expenditures by Department
For the year ended April 30, 2012**

	Actual amounts, GAAP Basis	Adjustment to Budgetary Basis	Actual amounts, Budgetary Basis	Final Budget	Variance Favorable (Unfavorable)
Personnel					
Salaries - employees	200,082.83	(2,692.26)	197,390.57	197,400.00	9.43
IMRF expense	20,093.75	-	20,093.75	20,200.00	106.25
Employer payroll taxes	13,546.72	-	13,546.72	13,600.00	53.28
Insurance - hospitalization and life	55,816.24	-	55,816.24	55,900.00	83.76
Insurance - workmen's compensation	902.00	-	902.00	1,000.00	98.00
Contractual services					
Advertising	496.80	-	496.80	500.00	3.20
Audit fees	20,650.00	-	20,650.00	20,700.00	50.00
Bank charges	2,538.43	-	2,538.43	2,600.00	61.57
Consulting fees	387.50	-	387.50	400.00	12.50
Drugs and other testing	-	-	-	100.00	100.00
Dues and license	955.00	-	955.00	1,200.00	245.00
Insurance - liability	2,676.00	-	2,676.00	3,500.00	824.00
Lease of equipment	428.22	-	428.22	700.00	271.78
New hire expense	-	-	-	-	-
Postage	1,852.49	9.97	1,862.46	1,900.00	37.54
Telephone and paging	822.39	(4.95)	817.44	900.00	82.56
Training	1,193.49	155.98	1,349.47	1,400.00	50.53
Travel	-	-	-	-	-
Commodities					
Office expense	5,711.50	78.01	5,789.51	5,800.00	10.49
Supplies - operating	-	-	-	-	-
Supplies - software	9,344.90	(4,077.50)	5,267.40	5,300.00	32.60
Capital outlay					
Equipment	1,940.46	-	1,940.46	2,300.00	359.54
City Clerk					
Personnel					
Salaries - employees	105,688.71	2,991.40	108,680.11	108,700.00	19.89
IMRF expense	12,144.31	-	12,144.31	12,200.00	55.69
Employer payroll taxes	8,311.71	-	8,311.71	8,800.00	488.29
Insurance - hospitalization and life	6,496.72	-	6,496.72	6,500.00	3.28
Insurance - workmen's compensation	511.00	-	511.00	700.00	189.00
Contractual services					
Bank and Finance Charges	556.96	(73.66)	483.30	500.00	16.70
Drugs and other testing	-	-	-	100.00	100.00
Dues and license	90.00	-	90.00	300.00	210.00
Lease of equipment	3,126.50	4.87	3,131.37	3,500.00	368.63
Postage	930.45	(117.82)	812.63	900.00	87.37
Telephone and paging	1,624.46	(81.61)	1,542.85	2,100.00	557.15
Professional Fee, Other	800.00	-	800.00	800.00	-
Training	3,406.96	(200.00)	3,206.96	3,300.00	93.04
Commodities					
Office expense	6,248.96	(38.91)	6,210.05	6,300.00	89.95
Supplies - operating	-	-	-	-	-
Supplies - software	5,028.55	-	5,028.55	5,100.00	71.45
Capital outlay					
Equipment	2,603.30	-	2,603.30	3,100.00	496.70
Public Property					
Personnel					
Salaries - elected	15,000.00	-	15,000.00	15,000.00	-
Employer payroll taxes	1,147.50	-	1,147.50	1,200.00	52.50
Insurance - hospitalization and life	-	-	-	12,500.00	12,500.00
Insurance - workmen's compensation	72.00	-	72.00	100.00	28.00
Contractual services					
Rent	1,869.81	-	1,869.81	2,000.00	130.19
Human Resources and Risk Management					
Personnel					
Salaries - employees	24,093.58	(2,170.47)	21,923.11	22,000.00	76.89
IMRF expense	2,347.14	-	2,347.14	5,100.00	2,752.86
Employer payroll taxes	1,523.21	-	1,523.21	4,100.00	2,576.79
Insurance - hospitalization and life	4,679.05	-	4,679.05	12,800.00	8,120.95
Insurance - workmen's compensation	292.00	-	292.00	300.00	8.00
Contractual services					
Advertising	429.03	-	429.03	500.00	70.97
Auto allowance	-	-	-	-	-
Contract labor	22,944.00	1,254.00	24,198.00	24,200.00	2.00
Drug & other testing	1,104.00	(504.00)	600.00	600.00	-
Dues and license	40.00	-	40.00	300.00	260.00
Incentive program	2,039.00	-	2,039.00	5,800.00	3,761.00
Insurance - liability	-	-	-	-	-
Professional Fees, Other	50.00	-	50.00	300.00	250.00
Programs	39.65	-	39.65	100.00	60.35
Telephone and paging	1,802.29	(42.58)	1,759.71	2,000.00	240.29
Training	500.00	-	500.00	600.00	100.00
Travel	174.00	-	174.00	200.00	26.00

See accompanying notes to financial statements.

**City of Marlon, Illinois
General Fund
Summary of Expenditures by Department
For the year ended April 30, 2012**

	Actual amounts, GAAP Basis	Adjustment to Budgetary Basis	Actual amounts, Budgetary Basis	Final Budget	Variance Favorable (Unfavorable)
Commodities					
Boots, safety	-	-	-	-	-
Office expense	1,852.33	(25.03)	1,827.30	1,900.00	72.70
Supplies - operating	-	-	-	-	-
Capital outlay					
Equipment	1,116.70	-	1,116.70	1,200.00	83.30
Other expenditures					
Workmen's compensation related expense	-	-	-	-	-
Total General Government	\$ 3,065,934.96	\$ (2,749.59)	\$ 3,063,185.37	\$ 3,646,700.00	\$ 583,514.63
Public Health and Safety					
Police Department					
Personnel					
Salaries - employees	\$ 2,294,709.64	\$ (30,053.02)	\$ 2,264,656.62	\$ 2,284,700.00	\$ 43.38
IMRF expense	54,279.01	-	54,279.01	59,400.00	5,120.99
Police pension expense	569,900.00	-	569,900.00	769,900.00	200,000.00
Employer payroll taxes	58,662.40	-	58,662.40	58,700.00	37.60
Insurance - hospitalization and life	592,553.25	-	592,553.25	596,400.00	3,846.75
Insurance - workmen's compensation	95,518.00	(282.00)	95,236.00	106,400.00	11,164.00
Contractual services					
Advertising	886.72	(236.79)	649.93	1,400.00	750.07
Administrative costs	-	1,027.00	1,027.00	1,100.00	73.00
Attorney fees	12,066.91	2,370.84	14,437.75	14,500.00	62.25
Auto Allowance	-	-	-	-	-
Consulting fees	-	-	-	-	-
Drugs and other testing	39.00	-	39.00	2,900.00	2,861.00
Dues and license	32,604.13	-	32,604.13	36,800.00	4,195.87
Enhanced 911	60,368.21	(3,300.94)	57,067.27	115,000.00	57,932.73
Film processing	-	-	-	100.00	100.00
Grant expenditures	475.00	-	475.00	500.00	25.00
Insurance - liability	52,376.00	-	52,376.00	63,300.00	10,924.00
Internet Access	3,221.98	(60.00)	3,161.98	3,200.00	38.02
Investigations	4,154.39	(8.18)	4,146.21	4,200.00	53.79
Lease of equipment	5,277.80	(374.49)	4,903.31	13,800.00	8,896.69
Janitorial service	12,790.95	(92.99)	12,697.96	16,100.00	3,402.04
Maintenance - buildings	1,316.79	(55.48)	1,261.31	3,500.00	2,238.69
Maintenance - equipment	5,320.21	6,278.03	11,598.24	11,600.00	1.76
Maintenance - grounds	-	-	-	-	-
Maintenance - systems	14,102.25	343.50	14,445.75	14,500.00	54.25
Maintenance - vehicle	17,502.65	(1,507.91)	15,994.74	21,900.00	5,905.26
Major vehicle repair	7,800.97	-	7,800.97	11,500.00	3,699.03
New hire expense	634.75	-	634.75	2,100.00	1,465.25
Postage	1,697.82	(204.83)	1,492.99	2,400.00	907.01
Professional fees, other	230.00	-	230.00	4,600.00	4,370.00
Programs	-	-	-	-	-
Rent	3,600.00	300.00	3,900.00	4,600.00	700.00
Telephone and paging	16,864.51	(295.11)	16,569.40	18,400.00	1,830.60
Training	13,472.52	833.01	14,305.53	17,300.00	2,994.47
Utilities	9,396.24	(96.74)	9,299.50	19,600.00	10,300.50
Commodities					
Boots, safety clothing	-	-	-	-	-
Fuel / oil - vehicles	82,838.93	472.19	83,311.12	103,500.00	20,188.88
K-9 Unit	11,491.89	11,996.99	23,488.88	23,500.00	11.12
Office expense	9,681.61	153.82	9,835.43	16,100.00	6,264.57
Supplies - janitorial	688.83	-	688.83	1,700.00	1,011.17
Supplies - operating	12,762.08	(1,765.48)	10,996.60	15,000.00	4,003.40
Supplies - reimbursable	-	-	-	100.00	100.00
Supplies - software	-	-	-	-	-
Uniforms	25,499.45	1,398.00	26,897.45	35,100.00	8,202.55
Capital outlay					
Equipment	46,728.64	(9,159.99)	37,568.65	96,100.00	58,531.35
Other expenditures					
Debt redemption	122,614.14	-	122,614.14	149,100.00	26,485.86
Liability cash expense	7,702.13	(7,702.13)	-	5,800.00	5,800.00
Workmen's compensation related expense	3,588.84	(381.00)	3,227.84	6,300.00	3,072.16
Fire Department					
Personnel					
Salaries - elected	15,000.00	-	15,000.00	15,000.00	-
Salaries - employees	1,443,721.37	(22,374.04)	1,421,347.33	1,421,400.00	52.67
Firemen pension expense	384,670.00	-	384,670.00	584,670.00	200,000.00
Employer payroll taxes	17,582.63	-	17,582.63	18,800.00	1,217.37
Insurance - hospitalization and life	408,612.79	-	408,612.79	441,800.00	32,987.21
Insurance - workmen's compensation	274,722.00	18,545.00	293,267.00	322,500.00	29,233.00
Contractual services					
Advertising	-	-	-	300.00	300.00

See accompanying notes to financial statements.

**City of Marion, Illinois
General Fund
Summary of Expenditures by Department
For the year ended April 30, 2012**

	Actual amounts, GAAP Basis	Adjustment to Budgetary Basis	Actual amounts, Budgetary Basis	Final Budget	Variance Favorable (Unfavorable)
Attorney fees	50.00	-	50.00	100.00	50.00
Drugs and other testing	40.00	(40.00)	-	300.00	300.00
Dues and license	1,159.00	(275.00)	884.00	1,200.00	316.00
Engineering	-	-	-	1,200.00	1,200.00
Grants	5,214.95	66,795.15	72,010.10	140,900.00	68,889.90
Internet Access	5,583.86	-	5,583.86	6,200.00	616.14
Insurance - liability	39,471.00	-	39,471.00	48,300.00	8,829.00
Janitorial service	4,515.93	158.37	4,674.30	4,700.00	25.70
Lease of equipment	673.00	19.00	692.00	1,200.00	508.00
Maintenance - buildings	11,277.61	(2,002.31)	9,275.30	19,600.00	10,324.70
Maintenance - grounds	3,033.03	-	3,033.03	3,500.00	466.97
Maintenance - equipment	14,592.19	313.23	14,905.42	17,300.00	2,394.58
Maintenance - hydrant	1,376.94	(171.72)	1,205.22	1,300.00	94.78
Maintenance - vehicle	10,754.67	9,280.84	20,015.51	34,500.00	14,484.49
New hire expense	1,284.14	71.21	1,355.35	2,900.00	1,544.65
Pest control	540.00	-	540.00	600.00	60.00
Professional fees, other	620.00	-	620.00	900.00	280.00
Programs	1,044.00	-	1,044.00	1,100.00	56.00
Telephone and paging	5,933.91	140.90	6,074.81	8,100.00	2,025.19
Training	12,427.97	-	12,427.97	23,000.00	10,572.03
Trash disposal	-	-	-	-	-
Travel	-	-	-	-	-
Utilities	4,515.23	5.71	4,520.94	8,600.00	4,079.06
Commodities					
Boots, safety clothing	14,786.28	10.00	14,796.28	27,800.00	12,803.72
Fuel / oil - vehicles	16,259.39	(1,723.60)	14,535.79	17,300.00	2,764.21
Office expense	4,959.11	(2,334.23)	2,624.88	2,900.00	275.12
Small tools	5,029.21	60.50	5,089.71	5,800.00	710.29
Supplies - janitorial	-	-	-	-	-
Supplies - operating	5,878.54	(55.09)	5,823.45	7,500.00	1,676.55
Supplies - reimbursable	1,575.00	-	1,575.00	8,600.00	7,025.00
Supplies - software	-	-	-	3,500.00	3,500.00
Uniforms	15,389.77	(361.38)	15,028.39	17,300.00	2,271.61
Capital outlay					
Building	31,611.90	(29,068.30)	2,543.60	17,300.00	14,756.40
Equipment	68,920.36	(41,417.13)	27,503.23	34,500.00	6,996.77
Land acquisition	-	-	-	69,000.00	69,000.00
Other expenditures					
Debt redemption	64,811.04	-	64,811.04	74,500.00	9,688.96
Workmen's compensation related expense	711.33	-	711.33	800.00	88.67
Total Public Health and Safety	\$ 7,163,766.79	\$ (34,826.59)	\$ 7,128,940.20	\$ 8,129,100.00	\$ 1,000,159.80
Streets, Alleys and Cemeteries					
Street Department					
Personnel					
Salaries - elected	\$ 15,000.00	\$ -	\$ 15,000.00	\$ 15,000.00	\$ -
Salaries - employees	879,831.07	(310.54)	879,520.53	881,900.00	2,379.47
IMRF expense	86,658.30	-	86,658.30	100,200.00	13,541.70
Employer payroll taxes	64,166.34	-	64,166.34	65,800.00	1,633.66
Insurance - hospitalization and life	190,872.25	-	190,872.25	191,000.00	127.75
Insurance - workmen's compensation	233,004.00	11,985.00	244,989.00	245,000.00	11.00
Contractual services					
Advertising	-	104.00	104.00	200.00	96.00
Attorney fees	550.00	-	550.00	600.00	50.00
Contract labor	5,000.00	500.00	5,500.00	23,000.00	17,500.00
Drugs and other testing	351.00	-	351.00	1,200.00	849.00
Dues and license	195.00	-	195.00	200.00	5.00
Engineering	2,107.00	334.00	2,441.00	11,500.00	9,059.00
Internet Access	942.48	-	942.48	1,200.00	257.52
Insurance - liability	30,762.00	-	30,762.00	40,300.00	9,538.00
Maintenance - building	7,799.47	(6,931.47)	868.00	11,500.00	10,632.00
Maintenance - equipment	26,435.79	11,086.37	37,522.16	40,300.00	2,777.84
Maintenance - street	41,624.98	361.16	41,986.14	42,000.00	13.86
Maintenance - vehicle	27,457.60	311.06	27,768.66	46,000.00	18,231.34
New hire expense	114.00	-	114.00	200.00	86.00
Pest control	495.00	-	495.00	500.00	5.00
Storm disaster expense	-	-	-	-	-
Telephone and paging	3,437.14	(127.89)	3,309.25	3,500.00	190.75
Training	203.40	-	203.40	600.00	396.60
Trash disposal	201.56	-	201.56	400.00	198.44
Travel	9.80	18.84	28.64	100.00	71.36
Utilities	22,859.47	(280.81)	22,578.66	25,300.00	2,721.34
Commodities					
Boots, safety clothing	5,906.90	1,539.97	7,446.87	9,200.00	1,753.13
Cold mix	7,609.85	473.99	8,083.84	8,100.00	16.16

See accompanying notes to financial statements.

City of Marion, Illinois
General Fund
Summary of Expenditures by Department
For the year ended April 30, 2012

	Actual amounts, GAAP Basis	Adjustment to Budgetary Basis	Actual amounts, Budgetary Basis	Final Budget	Variance Favorable (Unfavorable)
Chemical Expense	8,484.22	(2,836.36)	5,647.86	6,900.00	1,252.14
Fuel / oil - vehicles	107,059.06	2,175.31	109,234.37	115,000.00	5,765.63
Office expense	2,422.20	19.89	2,442.09	2,500.00	57.91
Salt	49,488.08	(900.00)	48,588.08	86,300.00	37,731.94
Small tools	5,763.64	2,440.96	8,204.60	8,300.00	95.40
Street signs	26,831.18	(1,187.52)	25,643.66	25,700.00	56.34
Supplies - operating	103,080.17	(1,028.57)	102,051.60	102,100.00	48.40
Supplies - reimbursable	-	-	-	-	-
Supplies - shop	12,453.49	418.17	12,871.66	12,900.00	28.34
Supplies - software	1,500.00	-	1,500.00	1,500.00	-
Capital outlay					
Construction costs	-	317.00	317.00	225,000.00	224,683.00
Building	-	5,831.16	5,831.16	5,700.00	68.84
Land improvements	-	-	-	-	-
New equipment purchases	117,016.58	(83,026.84)	33,989.74	34,500.00	510.26
Other expenditures					
Debt redemption	44,055.12	-	44,055.12	44,100.00	44.88
Workmen's compensation related expense	1,007.16	-	1,007.16	1,200.00	192.84
Liability cash expense	2,308.14	(945.81)	1,362.33	5,800.00	4,437.67
Cemetery Department					
Personnel					
Salaries - employees	296,259.93	(4,852.48)	291,607.45	291,700.00	92.55
IMRF expense	26,942.90	-	26,942.90	27,000.00	57.10
Employer payroll taxes	21,540.01	3,144.43	24,684.44	24,700.00	15.56
Insurance - hospitalization and life	39,147.06	-	39,147.06	39,200.00	52.94
Insurance - workmen's compensation	41,350.00	209.00	41,559.00	41,800.00	41.00
Contractual services					
Advertising	171.48	-	171.48	200.00	28.52
Contract labor	775.00	-	775.00	1,700.00	925.00
Drugs and other testing	39.00	45.00	84.00	300.00	216.00
Dues and license	-	-	-	100.00	100.00
Engineering fees	32,019.10	-	32,019.10	32,100.00	80.90
Insurance - liability	14,533.00	-	14,533.00	14,900.00	67.00
Internet Access	920.96	(360.00)	560.96	800.00	39.04
Lease of equipment	415.00	-	415.00	800.00	185.00
Maintenance - buildings	361.20	-	361.20	400.00	38.80
Maintenance - grounds	3,498.22	-	3,498.22	3,500.00	1.78
Maintenance - equipment	11,708.00	(3,070.52)	8,637.48	9,800.00	1,162.52
Maintenance - streets	20,713.80	-	20,713.80	20,800.00	86.20
Maintenance - vehicle	1,908.60	(91.00)	1,817.60	2,800.00	982.40
Monument repair and removal	1,600.00	-	1,600.00	1,600.00	-
New hire expense	135.50	-	135.50	200.00	64.50
Pest control	355.00	-	355.00	600.00	245.00
Professional fees, other	640.00	-	640.00	700.00	60.00
Telephone and paging	1,947.08	(84.50)	1,862.58	2,700.00	837.42
Training	-	-	-	100.00	100.00
Trash disposal	101.92	-	101.92	200.00	98.08
Utilities	6,253.38	35.12	6,288.50	7,500.00	1,211.50
Commodities					
Boots, safety clothing	531.86	1,085.00	1,616.86	2,200.00	583.14
Fuel / oil - vehicles	13,689.00	234.85	13,923.85	15,200.00	1,276.15
Office expense	343.17	-	343.17	700.00	356.83
Small tools	891.92	-	891.92	1,000.00	308.08
Supplies - janitorial	63.53	-	63.53	100.00	36.47
Supplies - operating	8,444.46	(854.43)	7,790.03	7,800.00	9.97
Supplies - Shop	235.45	-	235.45	600.00	364.55
Supplies - software	2,050.00	-	2,050.00	2,100.00	50.00
Capital outlay					
Cemetery improvement	153,838.47	(153,838.47)	-	4,000.00	4,000.00
Equipment	31,500.14	-	31,500.14	31,600.00	99.86
Other expenditures					
Liability cash expense	-	-	-	1,200.00	1,200.00
Workmen's compensation related expense	-	-	-	600.00	600.00
Total Streets, Alleys and Cemeteries	\$ 2,869,767.56	\$ (217,856.93)	\$ 2,651,910.63	\$ 3,034,700.00	\$ 362,789.37
Housing Rehabilitation					
Contractual services					
Administrative costs	\$ 39,700.00	\$ -	\$ 39,700.00	\$ 52,000.00	\$ 12,300.00
Capital outlay					
Rehabilitation costs	210,146.00	(4,500.00)	205,646.00	298,000.00	92,354.00
Total Housing Rehabilitation	\$ 249,846.00	\$ (4,500.00)	\$ 245,346.00	\$ 350,000.00	\$ 104,654.00
Total General Fund Expenditures	\$ 13,349,315.31	\$ (259,933.11)	\$ 13,089,382.20	\$ 15,160,500.00	\$ 2,071,117.80

See accompanying notes to financial statements.

City of Marion, Illinois
 Schedule of Expenditures of Federal Awards
 For the Year Ended April 30, 2012

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Grant Number	Budget	Revenues Prior Years	Revenues 5/1/11 - 4/30/2012	Expenditures Prior Years	Expenditures 5/1/11 - 4/30/2012	Final Status
U.S. Department of Agriculture passed through the Illinois State Board of Education:								
Summer Food Service Program	10 559	21100017P00	N/A	\$ -	\$ 8,263.41	\$ -	\$ 8,263.41	\$ 8,263.41
Child and Adult Care Program	10 558	21100017P00	N/A	-	9,918.48	-	9,918.48	9,918.48
Total U.S. Department of Agriculture				\$ -	\$ 18,181.87	\$ -	\$ 18,181.87	\$ 18,181.87
U.S. Department of Homeland Security passed through the Illinois Emergency Management Agency:								
Statewide Response Team	97 006	2009SST90031	N/A	\$ 133,295.23	\$ 21,040.51	\$ 133,295.23	\$ 21,040.51	\$ 154,335.74
State Homeland Security Program	97 087	09RTPMARIN	37,280.68	-	37,280.68	-	37,280.68	37,280.68
U.S. Department of Homeland Security passed through the Federal Emergency Management Agency:								
Staffing for Adequate Fire and Emergency Response	97 083	EMW-2007-FF-01132	288,181.00	238,797.29	42,237.78	238,797.29	42,237.78	279,035.07
Assistance to Firefighters	97 044	EMW-2010-FO-01119	32,739.00	-	32,739.00	-	32,739.00	32,739.00
Total U.S. Department of Homeland Security				\$ 370,092.52	\$ 133,297.97	\$ 370,092.52	\$ 133,297.97	\$ 503,380.49
U.S. Department of Transportation passed through the Illinois Department of Transportation:								
(M) Safe Route to School	20 205	SRTS-4009(031)	\$ 191,630.00	\$ -	\$ 189,678.32	\$ -	\$ 189,678.32	\$ 189,678.32
(M) Highway Planning and Construction	20 205	M-5041(019)	80,000.00	54,918.40	4,388.82	54,918.40	4,388.82	59,307.22
Total U.S. Department of Transportation				\$ 54,918.40	\$ 194,067.14	\$ 54,918.40	\$ 194,067.14	\$ 248,885.54
U.S. Department of Housing and Urban Development passed through the Illinois Department of Commerce and Economic Opportunity:								
(M) Community Development Block Grant	14 228	B-11-DC-17-0001	\$ 392,500.00	\$ -	\$ 285,207.00	\$ -	\$ 249,346.00	\$ 249,346.00
U.S. Department of Health and Human Services passed through the Illinois Department of Insurance:								
Senior Health Insurance Program	93 779	11-P-202/24-5/16	\$ 11,964.00	\$ 3,344.00	\$ 8,620.00	\$ 1,598.37	\$ 5,866.99	\$ 7,465.38
U. S. Environmental Protection Agency passed through the Illinois Environmental Protection Agency:								
(M) Illinois EPA Water Pollution Control Loan Program	66 458	L174567	\$2,793,137.00	\$ -	\$ 473,038.00	\$ -	\$ 473,038.00	\$ 473,038.00
(M) Illinois EPA Water Pollution Control Loan Program	66 458	L174025	\$1,583,688.00	-	402,097.00	-	402,097.00	402,097.00
Total U.S. Environmental Protection Agency				\$ -	\$ 875,133.00	\$ -	\$ 875,133.00	\$ 875,133.00
U.S. Department of Justice:								
Justice Assistance Grant Program	16 738	2010-DJ-BX-0393	\$ 10,277.00	\$ 10,277.00	\$ -	\$ 10,188.00	\$ 91.00	\$ 10,277.00
Justice Assistance Grant Program	16 738	2011-DJ-BX-3317	\$ 11,800.00	-	11,484.50	-	11,484.50	11,484.50
Total U.S. Department of Justice				\$ 10,277.00	\$ 11,484.50	\$ 10,188.00	\$ 11,575.50	\$ 21,761.50
Institute of Museum and Library Sciences passed through the Illinois State Library:								
LSTA Act	45 310	2011-2	\$ 4,800.00	\$ -	\$ 4,800.00	\$ -	\$ 4,800.00	\$ 4,800.00
LSTA Act	45 310	LSTA-12-0210-4001	4,958.00	-	4,958.00	-	3,703.69	3,703.69
Total Institute of Museum and Library Sciences				\$ -	\$ 9,758.00	\$ -	\$ 8,503.69	\$ 8,503.69
Federal Emergency Management Agency passed through the Illinois Emergency Management Agency:								
Federal Emergency Management Agency	97 036	1991-199-46916-00	\$ 14,292.90	\$ -	\$ 14,292.90	\$ -	\$ 14,292.90	\$ 14,292.90
National Endowment for Humanities passed through the Illinois Humanities Council:								
Project/Media/Technical Assistant Grant	45 129	4677	\$ 5,000.00	\$ -	\$ 1,800.00	\$ -	\$ -	\$ -
Total Federal Financial Assistance				\$ 438,831.82	\$ 1,531,842.38	\$ 438,785.29	\$ 1,510,265.06	\$ 1,947,060.35

(M) Denotes a major federal financial assistance program

City of Marion, Illinois
Notes to Schedule of Expenditures of Federal Awards
for the Year Ended April 30, 2012

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Marion, Illinois and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Subrecipients

The City of Marion, Illinois did not provide federal awards to any subrecipients.

Note C - Nonmonetary Assistance

There was no nonmonetary assistance reported in the schedule of expenditures of federal awards.

Note D - Insurance

There is no insurance involving federal expenditures.

Note E - Loans Outstanding

The water department of the City of Marion is responsible for the repayment of the ARRA Capitalization for Drinking Water Project and Public Water Supply Loan Program funds to the Illinois EPA. This is an interest-free loan over 20 years with semi-annual payments. The Illinois EPA has forgiven \$142,845.00 of the ARRA debt proceeds. The balance outstanding at April 30, 2012 is \$450,977.38.

The sewer department of the City of Marion is responsible for the repayment of the Illinois EPA Water Pollution Control loans. Both loans are at an interest rate of 1.25% over 20 years with semi-annual payments. The Illinois EPA has forgiven \$1,094,207.00 of the debt proceeds. The balance outstanding of loans not forgiven at April 30, 2012 is \$410,312.00.

**CITY OF MARION, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified ___ yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es) ___ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ yes X no

Identification of major programs?

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction/Safe Route to School
14.228	Community Development Block Grant
66.458	IL EPA Water Pollution Control Loan Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? ___ yes X no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

CITY OF MARION, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
APRIL 30, 2012

**Finding
Number**

Condition

Current Status

None