



Dave Yost • Auditor of State



**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis .....	9
Statement of Activities – Cash Basis .....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	11
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds .....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	13
Statement of Cash Basis Fiduciary Net Assets – Fiduciary Funds.....	14
Statement of Cash Basis Change in Fiduciary Net Assets – Private Purpose Trust Funds .....	15
Notes to the Basic Financial Statements .....	17
Schedule of Federal Awards Receipts and Expenditures.....	39
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	40
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	41
Independent Accountant's Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance Required By OMB Circular A-133 .....	43
Schedule of Findings and Questioned Costs.....	45
Schedule of Prior Audit Findings.....	47
Corrective Action Plan.....	51
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	53

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

St. Marys City School District  
Auglaize County  
100 West Spring Street  
St. Marys, Ohio 45885

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, (the School District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Marys City School District, Auglaize County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The Schedule of Federal Awards Receipts and Expenditure (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

January 31, 2012

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

The discussion and analysis of St. Marys City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For St. Marys City School District, the General Fund and the Building and Ohio School Facilities Commission capital projects funds are the most significant funds.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, intergovernmental, and debt service disbursements.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Building and Ohio School Facilities Commission capital projects funds.

**Governmental Funds** - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

<b>Table 1</b>			
<b>Governmental Activities</b>			
<b>Net Assets</b>			
	<b>2011</b>	<b>2010 (Restated)</b>	<b>Change</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$12,839,520	\$27,746,551	(\$14,907,031)
<b>Net Assets:</b>			
Restricted	8,931,923	22,551,274	(13,619,351)
Unrestricted	3,907,597	5,195,277	(1,287,680)
Total Net Assets	\$12,839,520	\$27,746,551	(\$14,907,031)

Total net assets decreased \$14,907,031. The decrease in restricted net assets resulted from the School District disbursing bond proceeds and Ohio School Facilities Commission grants for the construction and improvement of instructional buildings, along with permanent improvement property taxes for the construction of a physical education and athletic track at the new high school. Unrestricted net assets decreased from operating disbursements being greater than operating receipts.



**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

**Table 2  
Governmental Activities  
Changes in Net Assets**

	<u>2011</u>	<u>2010 (Restated)</u>	<u>Change</u>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$ 1,717,791	\$ 1,436,570	\$ 281,221
Operating Grants, Contributions, and Interest	2,903,589	3,469,110	(565,521)
Total Program Receipts	<u>4,621,380</u>	<u>4,905,680</u>	<u>(284,300)</u>
<b>General Receipts:</b>			
Property Taxes Levied for General Purposes	6,241,102	6,375,408	(134,306)
Property Taxes Levied for Debt Service	1,540,894	1,626,155	(85,261)
Property Taxes Levied for Permanent Improvements	353,087	360,018	(6,931)
Grants and Entitlements	13,263,039	17,457,023	(4,193,984)
Interest	48,527	311,200	(262,673)
Miscellaneous	280,228	160,956	119,272
Total General Receipts	<u>21,726,877</u>	<u>26,290,760</u>	<u>(4,563,883)</u>
Total Receipts	<u>26,348,257</u>	<u>31,196,440</u>	<u>(4,848,183)</u>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	10,053,135	10,056,841	3,706
Special	2,806,852	3,062,181	255,329
Vocational	1,311,162	1,396,163	85,001
Adult/Continuing	7,520	8,672	1,152
<b>Support Services:</b>			
Pupils	1,627,945	1,608,642	(19,303)
Instructional Staff	1,039,975	1,044,708	4,733
Board of Education	121,325	95,272	(26,053)
Administration	1,380,921	1,403,142	22,221
Fiscal	398,156	451,799	53,643
Business	275,892	314,073	38,181
Operation and Maintenance of Plant	3,468,073	1,675,181	(1,792,892)
Pupil Transportation	792,460	670,556	(121,904)
Central	8,039	8,994	955
Non-instructional Services	969,099	770,902	(198,197)
Extracurricular Activities	652,114	640,803	(11,311)
Capital Outlay	14,570,591	28,275,264	13,704,673
Intergovernmental	2,050		(2,050)
<b>Debt Service:</b>			
Principal Retirement	585,376	540,377	(44,999)
Interest and Fiscal Charges	1,184,603	1,206,493	21,890
Total Disbursements	<u>41,255,288</u>	<u>53,230,063</u>	<u>11,974,775</u>
Decrease in Net Assets	<u>(14,907,031)</u>	<u>(22,033,623)</u>	<u>7,126,592</u>
Net Assets at Beginning of Year	<u>27,746,551</u>	<u>49,780,174</u>	<u>(22,033,623)</u>
Net Assets at End of Year	<u>\$12,839,520</u>	<u>\$27,746,551</u>	<u>(\$14,907,031)</u>

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Program receipts represented 18 percent of total receipts for fiscal year 2011 and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities, and food service sales. Overall, program receipts decreased in fiscal year 2011 from the reduction of federal funds received through the American Recovery and Reinvestment Act. However, charges for services increased due to students purchasing lunch rather than being allowed to leave the building to purchase lunch offsite.

The majority of general receipts are unrestricted grants and entitlements, which primarily represents State foundation resources and the Ohio School Facilities Commission Grant. The School District continued to receive a small amount from the Ohio School Facilities Commission in fiscal year 2011 as construction was almost completed. Property taxes basically make up the balance of the School District's general receipts. Interest receipts decreased significantly as cash was spent on the construction and renovation of instructional buildings. Miscellaneous receipts increased from the sale of furniture and fixtures and the reimbursement of attorney fees.

The School District had significant decreases in several programs. Special instruction decreased from a reduction in excess costs paid to the Auglaize County Educational Service Center. Vocational instruction disbursements decreased from less students enrolled in vocational programs provided by other school districts within the Tri-Star Compact. Adult/continuing instruction costs decreased from a decrease in funding for the GED program. Fiscal support services decreased by almost 12 percent from a reduction in fees charged by the county for the collection of property taxes. Business support services decreased from student services related to field trips. Capital outlay decreased significantly as construction of new instructional buildings was almost finished.

Board of Education support services increased from leasing a building for the administrative offices and property insurance. Operation and maintenance of plant support services increased from the School District constructing a physical education and athletic track near the new middle and high school. Transportation support services increased from creating a double route to accommodate staggered starting times. For fiscal year 2011, the School District no longer allows students to leave for lunch; therefore, non-instructional disbursements increased for additional staffing and food supplies.

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Instruction:</b>				
Regular	\$10,053,135	\$10,056,841	\$9,489,223	\$ 9,615,711
Special	2,806,852	3,062,181	718,939	663,414
Vocational	1,311,162	1,396,163	731,963	785,920
Adult/Continuing	7,520	8,672	(3,337)	(6,936)

(Continued)

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Table 3  
Governmental Activities  
(Continued)**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
<b>Support Services:</b>				
Pupils	1,627,945	1,608,642	1,627,945	1,608,642
Instructional Staff	1,039,975	1,044,708	1,039,975	1,044,708
Board of Education	121,325	95,272	121,325	95,272
Administration	1,380,921	1,403,142	1,380,921	1,403,142
Fiscal	398,156	451,799	398,156	451,799
Business	275,892	314,073	191,224	218,569
Operation and Maintenance of Plant	3,468,073	1,675,181	3,424,494	1,631,602
Pupil Transportation	792,460	670,556	746,788	398,224
Central	8,039	8,994	8,039	8,994
Non-instructional Services	969,099	770,902	(42,772)	(85,239)
Extracurricular Activities	652,114	640,803	458,405	468,427
Capital Outlay	14,570,591	28,275,264	14,570,591	28,275,264
Intergovernmental	2,050		2,050	
<b>Debt Service:</b>				
Principal Retirement	585,376	540,377	585,376	540,377
Interest and Fiscal Charges	1,184,603	1,206,493	1,184,603	1,206,493
<b>Total Disbursements</b>	<b>\$41,255,288</b>	<b>\$53,230,063</b>	<b>\$36,633,908</b>	<b>\$48,324,383</b>

Cost of services were financed through user charges and grants awarded for specific programs, in the amount of \$4,621,380, or 11 percent, for fiscal year 2011. The most significant activity in fiscal year 2011 was the continued capital outlay costs for the construction of the new instructional buildings and new sports fields which are funded with general revenues.

The most significant program receipts are associated with non-instructional services (primarily food service and costs related to the parochial school). In addition to charges for services, food service also receives federal and state resources to provide meals to students. Costs for the parochial school are provided for through grants.

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund reported a negative change in fund balance in fiscal year 2011. Total receipts decreased almost 2 percent from fiscal year 2010. Disbursements decreased less than 1 percent primarily from allocating the costs for salaries and benefits for all principals to a fund established to account for Foundation receipts funded through the American Recovery and Reinvestment Act. Although disbursements decreased in the General Fund for fiscal year 2011, disbursements continue to be greater than receipts.

Fund balance in the Building Fund decreased as the bond proceeds were spent for the school construction project.

Fund balance in the Ohio School Facilities Commission Fund decreased as the School District spent the majority of grants from the Ohio School Facilities Commission and bond proceeds to fund the School District's portion of the school construction project.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2011, the School District amended its General Fund budget as needed. The changes from original to final budget amounts for receipts were not significant. Actual receipts for property taxes and interest were significantly less than the final budget amounts from the School District not modifying estimated revenues.

Changes from the original to final budget for disbursements were not significant. Actual disbursements were 7 percent less than the final budget. A significant portion of these lower costs were associated with vocational tuition and Tri-Star Compact excess costs, and audit costs.

**Debt Administration**

At June 30, 2011, the School District's outstanding debt included general obligation bonds for the construction of new school facilities, and for asbestos removal loans, in the amount of \$24,654,998 and \$76,889, respectively. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

**Current Issues**

The School District is almost finished with the Ohio School Facilities Commission (OSFC) building project. This project included the construction of a new building to house grades 6 through 12 and renovations to the existing East and West Elementary buildings and the Denning Vocational Building. The total OSFC project is estimated at \$48.3 million, with an additional \$6.9 million in locally funded initiatives. The entire project was materially completed and ready for use at the beginning of the 2011 school year (September 2010).

The Board has hired MSA Sports to design the athletic complex at the new site. A contract for a synthetic turf field was awarded to Pro Grass LLC, in the amount of \$496,532. Bids on the demolition of the residence and outbuildings beside the new high school have been advertised.

Faced with the current economic conditions, the School District has taken steps to contain costs including an administrative pay decrease of 1 percent for fiscal year 2012 and a pay scale freeze in fiscal year 2013, a 1 percent salary reduction for fiscal year 2011 and a pay freeze in fiscal year 2012 and 2013 for all union and non-union personnel, and a change in health insurance from a PPO to an alternative PPO. In April, 2011, the Board of Education adopted additional reductions for fiscal year 2012 that included attrition through retirements, elimination of summer student help, reduction of extended day contracts for certain positions, elimination of supplemental contracts for various sports and student groups, elimination of all field trips not paid by students, outsource custodial staff for second and third shift work, and a reduction in building budgets.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Thomas Sommer, Treasurer, St. Marys City School District, 100 West Spring Street, St. Marys, Ohio 45885.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2011**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$12,725,102
Cash and Cash Equivalents with Escrow Agent	114,418
Total Assets	<u>12,839,520</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	622,925
Capital Projects	7,029,425
Food Service	388,626
School Facility Maintenance	495,407
Setasides	311,874
Other Purposes	83,666
Unrestricted	<u>3,907,597</u>
Total Net Assets	<u><u>\$12,839,520</u></u>

*See accompanying notes to the basic financial statements.*

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Cash Receipts</u>		<u>Net (Disbursement) Receipt and Change in Net Assets</u>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	
			<u>Governmental Activities</u>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$10,053,135	\$463,626	\$100,286	(\$9,489,223)
Special	2,806,852		2,087,913	(718,939)
Vocational	1,311,162	396,973	182,226	(731,963)
Adult/Continuing	7,520		10,857	3,337
<b>Support Services:</b>				
Pupils	1,627,945			(1,627,945)
Instructional Staff	1,039,975			(1,039,975)
Board of Education	121,325			(121,325)
Administration	1,380,921			(1,380,921)
Fiscal	398,156			(398,156)
Business	275,892	84,668		(191,224)
Operation and Maintenance of Plant	3,468,073		43,579	(3,424,494)
Pupil Transportation	792,460		45,672	(746,788)
Central	8,039			(8,039)
Noninstructional Services	969,099	578,815	433,056	42,772
Extracurricular Activities	652,114	193,709		(458,405)
Capital Outlay	14,570,591			(14,570,591)
Intergovernmental	2,050			(2,050)
<b>Debt Service:</b>				
Principal Retirement	585,376			(585,376)
Interest and Fiscal Charges	1,184,603			(1,184,603)
<b>Total Governmental Activities</b>	<u>\$41,255,288</u>	<u>\$1,717,791</u>	<u>\$2,903,589</u>	<u>(36,633,908)</u>
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				6,241,102
Debt Service				1,540,894
Permanent Improvements				353,087
Grants and Entitlements not Restricted to Specific Programs				13,263,039
Interest				48,527
Miscellaneous				280,228
<b>Total General Receipts</b>				<u>21,726,877</u>
Sale of Capital Assets				<u>                    </u>
Change in Net Assets				(14,907,031)
Net Assets at Beginning of Year - Restated (Note 3)				<u>27,746,551</u>
Net Assets at End of Year				<u>\$12,839,520</u>

See accompanying notes to the basic financial statements.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,927,923	\$4,593,858	\$1,407,352	\$2,470,718	\$12,399,851
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	325,251				325,251
Cash and Cash Equivalents with Escrow Agent			114,418		114,418
Total Assets	<u>4,253,174</u>	<u>4,593,858</u>	<u>1,521,770</u>	<u>2,470,718</u>	<u>12,839,520</u>
<b>Fund Balances:</b>					
Restricted	325,251	4,593,858	1,521,770	2,491,044	8,931,923
Assigned	363,564				363,564
Unassigned (Deficit)	3,564,359			(20,326)	3,544,033
Total Fund Balances	<u>\$4,253,174</u>	<u>\$4,593,858</u>	<u>\$1,521,770</u>	<u>\$2,470,718</u>	<u>\$12,839,520</u>

*See accompanying notes to the basic financial statements.*

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Receipts:</b>					
Property Taxes	\$6,241,102			\$1,893,981	\$8,135,083
Intergovernmental	11,612,654		\$1,865,008	2,681,864	16,159,526
Interest	25,283	\$10,441	9,039	4,524	49,287
Tuition and Fees	860,599				860,599
Charges for Services				578,815	578,815
Extracurricular Activities				193,709	193,709
Gifts and Donations				6,342	6,342
Miscellaneous	248,582			116,314	364,896
Total Receipts	<u>18,988,220</u>	<u>10,441</u>	<u>1,874,047</u>	<u>5,475,549</u>	<u>26,348,257</u>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	9,819,670			233,465	10,053,135
Special	1,980,738			826,114	2,806,852
Vocational	1,311,162				1,311,162
Adult/Continuing				7,520	7,520
<b>Support Services:</b>					
Pupils	1,497,736			130,209	1,627,945
Instructional Staff	1,028,167			11,808	1,039,975
Board of Education	121,325				121,325
Administration	728,306			652,615	1,380,921
Fiscal	368,647			29,509	398,156
Business	275,892				275,892
Operation and Maintenance of Plant	1,653,454			1,814,619	3,468,073
Pupil Transportation	792,460				792,460
Central	8,039				8,039
Non-instructional Services				969,099	969,099
Extracurricular Activities	449,193			202,921	652,114
Capital Outlay		1,283,386	13,287,205		14,570,591
Intergovernmental				2,050	2,050
<b>Debt Service:</b>					
Principal Retirement				585,376	585,376
Interest and Fiscal Charges				1,184,603	1,184,603
Total Disbursements	<u>20,034,789</u>	<u>1,283,386</u>	<u>13,287,205</u>	<u>6,649,908</u>	<u>41,255,288</u>
Excess of Receipts Under Disbursements	<u>(1,046,569)</u>	<u>(1,272,945)</u>	<u>(11,413,158)</u>	<u>(1,174,359)</u>	<u>(14,907,031)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In				1,178,124	1,178,124
Transfers Out	(48,177)	(1,000,000)		(129,947)	(1,178,124)
Total Other Financing Sources (Uses)	<u>(48,177)</u>	<u>(1,000,000)</u>		<u>1,048,177</u>	
Changes in Fund Balances	(1,094,746)	(2,272,945)	(11,413,158)	(126,182)	(14,907,031)
Fund Balances at Beginning of Year - Restated (Note 3)	<u>5,347,920</u>	<u>6,866,803</u>	<u>12,934,928</u>	<u>2,596,900</u>	<u>27,746,551</u>
Fund Balances at End of Year	<u>\$4,253,174</u>	<u>\$4,593,858</u>	<u>\$1,521,770</u>	<u>\$2,470,718</u>	<u>\$12,839,520</u>

See accompanying notes to the basic financial statements.



**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$6,940,530	\$6,940,530	\$6,241,102	(\$699,428)
Intergovernmental	11,538,534	11,538,534	11,612,654	74,120
Interest	467,155	467,155	25,283	(441,872)
Tuition and Fees	705,000	705,000	860,599	155,599
Gifts and Donations	10,000	10,000		(10,000)
Miscellaneous	290,155	316,720	248,582	(68,138)
Total Receipts	<u>19,951,374</u>	<u>19,977,939</u>	<u>18,988,220</u>	<u>(989,719)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,182,570	10,121,569	9,790,605	330,964
Special	2,359,948	2,308,948	2,028,960	279,988
Vocational	1,391,096	1,401,097	1,318,527	82,570
Other	48,000	148,000	67,050	80,950
<b>Support Services:</b>				
Pupils	1,807,131	1,707,130	1,508,744	198,386
Instructional Staff	1,148,236	1,148,236	1,095,028	53,208
Board of Education	211,324	211,323	126,115	85,208
Administration	927,531	877,531	750,109	127,422
Fiscal	470,531	470,531	387,221	83,310
Business	336,978	336,979	276,307	60,672
Operation and Maintenance of Plant	1,689,313	1,814,313	1,772,795	41,518
Pupil Transportation	831,788	856,789	821,724	35,065
Central	14,446	14,446	9,414	5,032
Extracurricular Activities	503,260	504,260	455,815	48,445
Total Disbursements	<u>21,922,152</u>	<u>21,921,152</u>	<u>20,408,414</u>	<u>1,512,738</u>
Excess of Receipts Under Disbursements	<u>(1,970,778)</u>	<u>(1,943,213)</u>	<u>(1,420,194)</u>	<u>523,019</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	10,000	10,000		(10,000)
Advances Out	(5,000)	(5,000)		5,000
Transfers Out	(47,377)	(48,377)	(48,177)	200
Total Other Financing Sources (Uses)	<u>(42,377)</u>	<u>(43,377)</u>	<u>(48,177)</u>	<u>(4,800)</u>
Changes in Fund Balance	(2,013,155)	(1,986,590)	(1,468,371)	518,219
Fund Balance at Beginning of Year	4,928,333	4,928,333	4,928,333	
Prior Year Encumbrances Appropriated	419,587	419,587	419,587	
Fund Balance at End of Year	<u>\$3,334,765</u>	<u>\$3,361,330</u>	<u>\$3,879,549</u>	<u>\$518,219</u>

See accompanying notes to the basic financial statements.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$152,055	\$44,850
Cash and Cash Equivalents in Segregated Accounts		2,766
Total Assets	152,055	47,616
<b>Net Assets:</b>		
Endowments	129,080	
Held in Trust for Scholarships	22,975	
Held for Student Activities		42,811
Undistributed Assets		4,805
Total Net Assets	\$152,055	\$47,616

*See accompanying notes to the basic financial statements.*

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Receipts:</b>	
Interest	\$2,766
Miscellaneous	<u>3,790</u>
Total Receipts	6,556
<b>Disbursements:</b>	
Non-instructional Services	<u>3,300</u>
Change in Net Assets	3,256
Net Assets at Beginning of Year - Restated (Note 3)	<u>148,799</u>
Net Assets at End of Year	<u><u>\$152,055</u></u>

*See accompanying notes to the basic financial statements.*

**This page intentionally left blank.**

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

St. Marys City School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1862. The School District serves an area of approximately eighty-one square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships. The School District is the 230th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-eight classified employees, one hundred fifty-seven certified teaching personnel, and seventeen administrative employees who provide services to 2,201 students and other community members. The School District currently operates four school buildings and a service building.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For St. Marys City School District, this includes general operations, food service, and student related activities of the School District.

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

The following activities are included within the reporting entity:

**Parochial School** - Within the School District boundaries, the Holy Rosary Elementary School is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to the parochial school. The money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District for financial reporting purposes.

The School District participates in two jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Auglaize County Educational Academy, Southwestern Ohio Educational Purchasing Council Insurance Program, Mercer Auglaize School Employee Benefit Trust, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the St. Marys Community Public Library. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. 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 type.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and the Building and Ohio School Facilities Commission capital projects funds.

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

**Building Fund** - The Building capital projects fund accounts for bond proceeds restricted to acquire, construct, or improve capital facilities based on locally funded initiatives.

**Ohio School Facilities Fund** - The Ohio School Facilities capital projects fund accounts for local taxes and a grant from the Ohio School Facilities Commission restricted for the construction and renovation of the School District's buildings.

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

**2. Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the schedule of tax funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The schedule of tax funds indicates the projected receipts and disbursements for those funds receiving tax monies.

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately by an escrow agent for the payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2011, the School District's investments included nonnegotiable certificates of deposit, mutual funds, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 was \$25,283, which included \$2,419 assigned from other School District funds.



**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**F. Restricted Assets**

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

Restricted assets in the General Fund include amounts required by State statute to be set aside for the purchase of textbooks and instructional materials and for the purchase of school buses.

For the Ohio School Facilities Commission Fund, the School District has resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

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

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for adult education programs, music and athletic programs, vocational programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Fund Balance**

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

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

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

**Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**L. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2010	\$5,326,786	\$6,866,803	\$12,934,928	\$2,602,122	\$27,730,639
Change in Fund Structure	21,134			(5,222)	15,912
Adjusted Fund Balance at June 30, 2010	<u>\$5,347,920</u>	<u>\$6,866,803</u>	<u>\$12,934,928</u>	<u>\$2,596,900</u>	<u>\$27,746,551</u>

The restatement had the following effect on net assets:

	<u>Governmental Activities</u>	<u>Private Purpose Trust</u>
Net Assets June 30, 2010	\$27,730,639	\$148,948
Change in Fund Structure	15,912	(149)
Adjusted Net Assets at June 30, 2010	<u>\$27,746,551</u>	<u>\$148,799</u>

**4. COMPLIANCE**

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

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,143,535 of the School District's bank balance of \$11,100,942 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**B. Investments**

As of June 30, 2011, the School District had the following investments.

	<b>Total</b>	<b>Less Than Six Months</b>	<b>Six Months to Three Years</b>	<b>Over Three Years</b>
Mutual Funds	\$ 648,315	\$ 341,161	\$152,462	\$154,692
STAR Ohio	1,357,715	1,357,715		
<b>Total</b>	<b>\$2,006,030</b>	<b>\$1,698,876</b>	<b>\$152,462</b>	<b>\$154,692</b>

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

The School District invests in three mutual funds; one has a rating of Aaa by Moodys, the other two are not rated by a nationally recognized standard rating service. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District diversifies its investments by security, type, and institution. With the exception of direct obligations of the U. S. Treasury and STAR Ohio, no more than 50 percent of the School District's total investment portfolio is to be invested in a single security type or with a single financial institution.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2011, are available to finance fiscal year 2011 operations.

The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<b>2010 Second- Half Collections</b>		<b>2011 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$239,173,300	99.98%	\$242,358,740	99.98%
Public Utility	52,930	.02	59,240	.02
Total Assessed Value	<u>\$239,226,230</u>	<u>100.00%</u>	<u>\$242,417,980</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$58.45		\$58.15	

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with the Southwestern Ohio Educational Purchasing Council Insurance Program for the following insurance coverage.

Coverage provided by Selective Insurance Company is as follows:

General Liability	
Per Occurrence	\$ 1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000

Coverage provided by The Travelers Indemnity Company is as follows:

Building	\$ 78,800,667
Contents	11,746,575

Coverage provided by Genesis Insurance Company is as follows:

Excess Liability	\$ 5,000,000
------------------	--------------

Coverage provided by Federal Insurance Company is as follows:

Boiler and Machinery	\$100,000,000
----------------------	---------------

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC), a public entity shared risk pool consisting of thirty-two school districts. The School District pays an annual premium to SOEPC for property and liability insurance coverage. The Executive Committee of SOEPC is responsible for its management and operation.

The annual premium provides funding for the Aggregate Loss Fund, excess coverage, claims administration, and membership to SOEPC. The School District's risk within SOEPC is limited to any deductibles and the portion of the premium paid and held within the Aggregate Loss Fund.

All annual claims above the amount held within the Aggregate Loss Fund will be paid by the excess liability policy.

The School District participates in the Mercer Auglaize School Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants of the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**8. CONTRACTUAL OBLIGATIONS**

As of June 30, 2011, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Allied Environmental Service, Inc.	Abatement Service	\$ 8,145
CDA Construction Group	Site Improvements	28,676
Chapel-Romanoff Technologies, Inc.	Technical, Sound, Video, and Clocks	135,842
City of St. Marys	Shipman Road Improvements	268,155
Columbus Microsystems	Student/Teacher Computers	6,320
Fanning/Howey Associates, Inc.	Architectural Services	791,987
Ferguson Construction Company	Additional Concrete	19,966
Geuy Construction Company, Inc.	Cook Button Up	7,510
Grandscapeers	Drainage	15,500
Hickory Valley Sod Farm	Sod	24,219
Hirschfeld Plumbing and Heating	Locker Room Heating and HVAC	19,500
Hume Supply, Inc.	Athletic Complex Parking Lot	23,341
Miller Contracting Group, Inc.	Demolition	65,411
MSA Sport	Athletic Complex	161,779
R. D. Jones Excavating, Inc.	Track and Field Project	13,298
Sollman Electric Company	Exterior Lighting	41,531
Stan and Associates, Inc.	Commission Service	16,571

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

**Plan Description** - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.



**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$1,312,520, \$1,362,726, and \$1,357,230 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions for the DCP and CP for the fiscal year ended June 30, 2011, were \$16,445 made by the School District and \$11,746 made by plan members.

**B. School Employees Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$257,996, \$280,809, and \$194,790, respectively; 29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan.

All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$102,228, \$106,911, and \$105,610 respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. School Employees Retirement System**

**Plan Description** - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, the surcharge amount was \$35,550.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$31,239, \$10,107, and \$89,145 respectively; 29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$16,603, \$16,699, and \$16,072 respectively; 29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**11. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service.

All two hundred sixty day administrative personnel earn twenty days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and two hundred sixty day administrative personnel upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated without limit for all employees, except bus drivers who are limited to two hundred days. Upon retirement, payment is made for 28.5 percent of accrued but unused sick leave credit to a maximum of fifty-six days for all employees, except bus drivers. Bus drivers are eligible for 26.5 percent of accrued but unused sick leave credit to a maximum of fifty-three days.

**B. Health Care Benefits**

The School District offers medical and dental insurance to most employees through the Mercer Auglaize School Employee Benefit Trust. Vision insurance is provided through Vision Service Plan, Inc. In addition, the School District offers life insurance through American United Life Insurance Company.

**C. Retirement Incentive**

Through June 30, 2011, bus drivers with ten or more years of service with the School District who retire after May 31 in the year of initial eligibility will be paid an additional \$1,250 severance payment.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**12. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	<b>Balance at 6/30/10</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/11</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2000 Library Construction 6.7%	\$ 140,000		\$140,000		
2008 School Improvement Bonds					
Serial Bonds 3.25-5%	14,565,000		400,000	\$14,165,000	\$430,000
Term Bonds 5%	10,265,000			10,265,000	
Capital Appreciation Bonds 16.227%	224,998			224,998	
Total 2008 School Improvement Bonds	25,054,998		400,000	24,654,998	430,000
Total General Obligation Bonds	25,194,998		540,000	24,654,998	430,000
Asbestos Removal Loan 0%	122,265		45,376	76,889	45,377
Total Governmental Activities Long-Term Obligations	\$25,317,263	\$0	\$585,376	\$24,731,887	\$475,377

**Library Construction General Obligation Bonds** - On June 1, 2000, the School District issued \$999,900 in voted general obligation bonds for the construction of an addition to the existing community library. The bonds matured on December 1, 2010. The bonds were retired from the Bond Retirement debt service fund, with the proceeds of a .6 mill voted property tax levy.

**2008 School Improvement General Obligation Bonds** - On March 19, 2008, the School District issued \$25,749,998 in voted general obligation bonds to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$15,260,000, \$10,265,000, and \$224,998, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2036. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 6.9 mill voted property tax levy.

The term bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2029 through 2034 (with the balance of \$1,690,000 to be paid at stated maturity on December 1, 2035), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<b>Year</b>	<b>Amount</b>
2029	\$1,260,000
2030	1,325,000
2031	1,390,000
2032	1,460,000
2033	1,530,000
2034	1,610,000

The serial bonds maturing on or after December 1, 2018, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after June 1, 2018, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**12. LONG-TERM OBLIGATIONS (Continued)**

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount of the bonds is \$640,000. For fiscal year 2011, \$54,274 was accreted for a total bond value of \$375,708.

**Asbestos Removal Loan** - On October 21, 1994, the School District obtained a loan, in the amount of \$816,777, for providing asbestos removal under the authority of Section 3317.22 of the Ohio Revised Code. The loan was issued for a twenty-three year period, with final maturity during fiscal year 2013. The loan is being retired from the Bond Retirement debt service fund, with transfers from the General Fund.

The School District's overall debt margin was (\$2,214,455) with an un-voted debt margin of \$242,418 at June 30, 2011. On August 14, 2007, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2012	\$ 430,000	\$ 652,137		\$ 513,250
2013	560,000	634,813		513,250
2014	600,000	611,887		513,250
2015		598,763		513,250
2016	660,000	585,563		513,250
2017-2021	3,755,000	2,456,550		2,566,250
2022-2026	4,725,000	1,459,656		2,566,250
2027-2031	3,435,000	263,125	\$ 2,585,000	2,438,625
2032-2036			7,680,000	997,500
Totals	\$14,165,000	\$7,262,494	\$10,265,000	\$11,134,875

Fiscal Year Ending	General Obligation Bonds Capital Appreciation		Asbestos Removal Loan
	Principal	Interest	Principal
	2012		
2013			31,512
2014			
2015	\$224,988	\$415,002	
Totals	\$224,998	\$415,002	\$76,889

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**13. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted for:</b>					
Adult Education				\$ 19,821	\$ 19,821
Athletics and Music				12,373	12,373
Capital Improvements	\$ 13,377	\$4,593,858	\$1,521,770	1,409,204	7,538,209
Debt Service				622,925	622,925
Education Management					
Information Systems				1,807	1,807
Food Service Operations				388,626	388,626
Non-Public Schools				9,374	9,374
Regular Instruction				26,704	26,704
Technology Improvements				210	210
Textbooks and Instructional Materials	311,874				311,874
Total Restricted	<u>325,251</u>	<u>4,593,858</u>	<u>1,521,770</u>	<u>2,491,044</u>	<u>8,931,923</u>
<b>Assigned for:</b>					
Educational Activities	20,978				20,978
Unpaid Obligations	342,586				342,586
Total Assigned for	<u>363,564</u>				<u>363,564</u>
Unassigned	3,564,359			(20,326)	3,544,033
Total Fund Balance	<u>\$4,253,174</u>	<u>\$4,593,858</u>	<u>\$1,521,770</u>	<u>\$2,470,718</u>	<u>\$12,839,520</u>

**14. SET ASIDES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2010	\$139,266	
Current Year Set Aside Requirement	314,054	\$314,054
Qualifying Expenditures	(141,446)	
Current Year Offsets		(314,054)
Balance June 30, 2011	<u>\$311,874</u>	<u>\$ 0</u>

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**15. INTERFUND TRANSFERS**

During fiscal year 2011, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$45,376, to pay principal on the asbestos removal loan, and to other governmental funds, in the amount of \$2,801, to subsidize activities.

The Building capital projects fund made transfers, in the amount of \$1,000,000, to other government funds to defray the costs associated with constructing the physical education and athletic track.

Other governmental funds made transfers, in the amount of \$129,947, to other governmental funds to fund the Ohio School Facilities maintenance requirement.

**16. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$129,080, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$22,975 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2011, the School District paid \$51,865 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**B. Auglaize County Educational Academy**

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**18. INSURANCE POOLS**

**A. Southwestern Ohio Educational Purchasing Council Insurance Program**

The School District participates in a public entity shared risk pool consisting of thirty-two school districts. The Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC) provides for property and liability insurance coverage.

SOEPC's business and affairs are conducted by an Executive Council of seven participating school administrators. Participation in SOEPC is by written application subject to acceptance by the Executive Council and the payment of the annual premium. The Administrator of SOEPC is Public Entity Marsh which coordinates the management, administration, claims management, and actuarial studies of SOEPC. Insurance premiums are paid to SOEPC. Financial information can be obtained from Public Entity Marsh, 525 Vine Street, Cincinnati, Ohio 45202.

**B. Mercer Auglaize School Employee Benefit Trust**

The School District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize School Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

**19. RELATED ORGANIZATION**

The St. Marys Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the St. Marys City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Marys Community Public Library, 140 South Chestnut Street, St. Marys, Ohio 45885.



**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**20. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**This page intentionally left blank.**

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
School Breakfast Program	10.553	\$41,366		\$41,366	
National School Lunch Program (Food Distribution)	10.555		\$193,944		\$193,944
National School Lunch Program	10.555	298,200		298,200	
Summer Food Service Program for Children	10.559	6,264		6,264	
Total Nutrition Cluster		<u>345,830</u>	<u>193,944</u>	<u>345,830</u>	<u>193,944</u>
Total U.S. Department of Agriculture		<u>345,830</u>	<u>193,944</u>	<u>345,830</u>	<u>193,944</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
(Passed through Ohio Department of Education)					
Title 1 Cluster:					
Title 1 Grants to Local Educational Agencies	84.010	202,420		217,966	
Title 1 School Improvement Sub A	84.010			2,938	
<b>ARRA</b> Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	19,237		21,154	
Total Title 1 Cluster		<u>221,657</u>		<u>242,058</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	461,835		477,870	
<b>ARRA</b> Special Education Grants to States, Recovery Act	84.391	209,523		221,125	
Total Special Education Cluster		<u>671,358</u>		<u>698,995</u>	
Education Technology State Grants	84.318	85			
Improving Teacher Quality State Grants	84.367	86,056		94,471	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	789,572		801,245	
Total U.S. Department of Education		<u>1,768,728</u>		<u>1,836,769</u>	
Total Federal Assistance		<u>\$2,114,558</u>	<u>\$193,944</u>	<u>\$2,182,599</u>	<u>\$193,944</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the St. Marys City School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2010 to 2011</u>
Title 1 Grants to Local Educational Agencies	84.010	\$ 767
Title 1 School Improvement Sub A	84.010	2,302
Education Technology State Grants	84.318	125
ARRA Title 1 Grants to Local Educational Agencies	84.389	4,348
ARRA Special Education Grants to States	84.391	5,162

**NOTE F - PASS THROUGH FUNDS**

The School District was awarded federal program allocations to be administered on their behalf by the Auglaize County Educational Service Center. For 2011 the School District's allocations were as follows:

- Special Education Preschool Grant – CFDA# 84.173 \$24,448
- Title III, English Language Acquisition Grants – CFDA# 84.365 \$ 3,196



# Dave Yost • Auditor of State

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

St. Marys City School District  
Auglaize County  
100 West Spring Street  
St. Marys, Ohio 45885

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, (the School District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 31, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 31, 2012.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 31, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

St. Marys City School District  
Auglaize County  
100 West Spring Street  
St. Marys, Ohio 45885

To the Board of Education:

### Compliance

We have audited the compliance of St. Marys City School District, Auglaize County (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with these requirements.

As described in finding 2011-02 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding Reporting requirements applicable to its ARRA State Fiscal Stabilization (SFSF) Education State Grants Recovery Act major federal. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the St. Marys City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2011-03.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**Internal Control Over Compliance  
(Continued)**

The School District's management 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 the School District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-02 to be a material weakness.

The School District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 31, 2012



**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	<p><b>Title I Cluster</b> (Title I Grants to Local Educational Agencies CFDA #84.010, Title 1 School Improvement Sub A CFDA #84.010, and ARRA Title 1 Grants to Local Educational Agencies Recovery Act CFDA #84.389)</p> <p><b>Special Education Cluster</b> (Special Education Grants to States CFDA 84.392, and ARRA Special Education Grants to States CFDA 84.391)</p> <p><b>ARRA - State Fiscal Stabilization Fund Education State Grants Recovery Act CFDA 84.394</b></p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2011-01**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03(B)** requires the School District to file annual financial reports which are prepared using generally accepted accounting principles. However, the School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to **Ohio Rev. Code Section 117.38** the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its financial statements according to generally accepted accounting principles to provide any user with more meaningful and useful financial statements.

**OFFICIAL'S RESPONSE:**

The Board of Education of St. Marys City Schools has opted to prepare its' financial statements using the "look alike" OCBOA presentation. The driving force behind this option is financial. The preparation costs, as well as the auditing costs, are considerably less with this OCBOA presentation than with a GAAP presentation. In addition, the AICPA has interpreted that this type of "look alike" OCBOA presentation is acceptable.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2011-02
<b>CFDA Title and Number</b>	CFDA #84.394 – ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act
<b>Federal Award Number / Year</b>	2010 and 2011
<b>Federal Agency</b>	US Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation / Material Weakness**

**American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c)** require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. Section 1512 (c) (4) requires detailed information on any subcontracts or sub-grants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals.

**FINDING NUMBER 2011-02  
 (Continued)**

Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education’s American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should not be reported.

The School District failed to report a three single payments made from the ARRA State Fiscal Stabilization Grant funds (representing 12.6% of total SFSF federal program expenditures):

- \$25,416 to Auglaize County Educational Service Center
- \$28,157 to Verizon Wireless
- \$47,000 to Verizon Wireless

The failure to comply with all requirements of a federal grant could result in a loss of federal funding to the School District.

The School District should implement procedures to provide training and resources to those responsible for assuring compliance with the requirements of federal grants.

**OFFICIAL’S RESPONSE:**

No formal response, ARRA funding is gone.

<b>Finding Number</b>	2011-03
<b>CFDA Title and Number</b>	Title 1 Grants to Local Educational Agencies CFDA# 84.010 ARRA Title 1 Grants to Local Educational Agencies, Recovery Act CFDA# 84.389 Special Education Grants to States CFDA# 84.027 ARRA Special Education Grants to States, Recovery Act CFDA# 84.391
<b>Federal Award Number / Year</b>	2010 and 2011
<b>Federal Agency</b>	US Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation / Questioned Costs**

**2 C.F.R. Part 225, Attachment B, Section 8(h)(3)** states where employees are expected to work solely on a single Federal award or cost objective, charges for their salary and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

**FINDING NUMBER 2011-03  
 (Continued)**

Furthermore, Section 8(h)(4) provides that;

...Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix... Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

The School District did not certify wages for time spent on a single Federal award nor did it require personnel activity reports or equivalent documentation for wages of employees paid from categories (a)-(e) noted above. The table below illustrates the amount of payroll and related fringe benefits paid from each federal program lacking the semi-annual certifications and documentation for time charged to the program.

<b>Federal Program</b>	<b>Total Payroll &amp; Fringe Benefits Charged to Program</b>
Title 1 Grants to Local Educational Agencies CFDA #84.010 (grant year 2010)	\$ 1,883
Title 1 Grants to Local Educational Agencies CFDA #84.010 (grant year 2011)	8,445
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act CFDA #84.389 (grant year 2010)	68
Special Education Grants to States CFDA #84.027 (grant year 2010)	11,359
Special Education Grants to States CFDA #84.027 (grant year 2011)	12,048
ARRA Special Education Grants to States, Recovery Act CFDA #84.391 (grant year 2010)	1,932
ARRA Special Education Grants to States, Recovery Act CFDA #84.391 (grant year 2011)	10,097
<b>Total</b>	<b>\$45,832</b>

This resulted in questioned costs totaling \$45,832 for payroll and related fringe benefit expenditures that lacked documentation for the time charged to federal programs during fiscal year 2011.

The School District should establish specific procedures by which each employee working on multiple activities or multiple federal programs will complete time and effort logs on a timely basis. The time and effort logs should be an “after the fact” representation of the hours worked. Therefore, these should be completed in a reasonable short time after the end of the period the log is meant to cover. All time and effort logs should include full disclosure of the facts and should include credible signatures.

To avoid the potential loss of, or decrease of federal funding, the School District perform semi-annual certification of wages for employees working on a single Federal award, and require personnel activity reports or equivalent documentation which meets the standards set forth in 2. C.F.R. Part 225, Appendix B, Section 8 (h) (5) for employees paid from categories (a)-(e) noted above. Finally, Grant Coordinators and Administrators that deal with federal programs should refer to the ODE website CCIP Doc Library for further reference and guidance.

**FINDING NUMBER 2011-03  
(Continued)**

**OFFICIAL'S RESPONSE:**

The District has taken steps to ensure that the proper certifications are on file for all employees being paid with federal dollars. The following is offered for the respective amounts of questioned costs.

\$68 – CFDA #84.389 ARRA – Since this amount is from FY2010, the District would have been allowed to carry this over to FY2011, where it would have been expended for the salary of our Title I teacher, for which the FY2011 ARRA Title I funds were used.

\$1,883 – CFDA #84.010 – Since this amount is from FY2010, the District would have been allowed to carry this over to FY2011, where it would have been reallocated within the FY2011 Title I budget.

\$8,445 – CFDS #84.010 – Since this amount is from FY2011, the District would have been allowed to carry this over to FY2012, where it would have been reallocated within the FY2012 Title I budget.

\$1,932 – CFDA #84,391 ARRA – Since this amount is from FY2010, the District would have been allowed to carry this over to FY2011, where it would have been reallocated within the FY2011 budget.

\$10,097 – CFDA #84,391 ARRA – prior to completion of the FER for FY2011, \$1,875.63 of salaries originally paid with these grant funds were reclassified to the District's General Fund, which I believe should reduce the amount to \$8,221.

\$11,359 – CFDA #84.027 – Since this amount is from FY2010, the District would have been allowed to carry this over to FY2011, where it would have been reallocated within the FY2011 IDEA B budget.

\$12,048 – CFDA #84.027 – Since this amount is from FY2010, the District would have been alloded to carry this over to FY2012, where it would have been reallocated within the FY2012 IDEA B budget.

**ST. MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – Failure to prepare and file GAAP basis annual financial statements.	No	Repeated as Finding Number 2011-01
2010-002	20 USC Section 6315 LEAs – Title 1 Targeted assistance programs	Yes	On November 7, 2011, the School District issued a check for \$100,780.83 from the General Fund to the Ohio Department of Education. Amount repaid was based upon ODE correspondence
2010-003	34 CFR Section 300.202(a)(2) – Special Education Targeted assistance programs	Yes	On November 7, 2011, the School District issued a check for \$25,464.51 from the General Fund to the Ohio Department of Education

**ST MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
FISCAL YEAR ENDED JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
<b>2011-02</b>	CFDA #84.394 – ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act The School District will seek training opportunities as well as review current processes and procedures to ensure compliance is achieved.	As soon as possible.	William Steinbrunner, Director of Curriculum and Tom Sommer, Treasurer
<b>2011-03</b>	Title 1 Grants to Local Educational Agencies CFDA# 84.010 ARRA Title 1 Grants to Local Educational Agencies, Recovery Act CFDA# 84.389 Special Education Grants to States CFDA# 84.027 ARRA Special Education Grants to States, Recovery Act CFDA# 84.391 The School District will seek training opportunities as well as review current processes and procedures to ensure compliance is achieved.	Completed	William Steinbrunner, Director of Curriculum

**This page intentionally left blank.**





# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

St Marys City School District  
Auglaize County  
100 W. Spring St.  
St. Marys, OH 45885

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether St. Marys City School District, Auglaize County (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 23, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 31, 2012

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**This page intentionally left blank.**



# Dave Yost • Auditor of State

ST MARY'S CITY SCHOOL DISTRICT

AUGLAIZE COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 13, 2012