



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

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

St. Marys City School District
Auglaize County
101 West South Street
St. Marys, OH 45885

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the St. Marys City School District, Auglaize County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 10, 2001

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

**COMBINED BLANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,115,998	\$309,842	\$420,137	\$443,208
Receivables:				
Property Taxes	5,113,911		786,223	367,125
Accounts	2,408	3,083		
Intergovernmental	1,907	124,712		63,947
Accrued Interest	44,475			
Interfund	283,027			
Notes Receivable				
Inventory Held for Resale				
Materials and Supplies Inventory				
Prepaid Items	36,243			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	57,297			
Advances to Other Funds	3,889			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>8,659,155</u>	<u>437,637</u>	<u>1,206,360</u>	<u>874,280</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	\$49,914	\$27,916		\$92,316
Contracts Payable				
Retainage Payable				
Accrued Wages and Benefits	1,021,035	42,038		
Compensated Absences Payable	17,406	420		
Intergovernmental Payable	373,426	100,934		21,483
Interfund Payable		102,539		177,960
Deferred Revenue	4,664,550	101,046	709,575	361,160
Undistributed Assets				
Due to Students				
Accrued Interest Payable				8,441
Advances From Other Funds				
Notes Payable				500,000
Asbestos Removal Loans Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>6,126,331</u>	<u>374,893</u>	<u>709,575</u>	<u>1,161,360</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	495,743		76,648	35,079
Reserved for Budget Stabilization	48,471			
Reserved for Bus Purchases	8,826			
Reserved for Advances	3,889			
Reserved for Notes Receivable				
Reserved for Encumbrances		24,810		308,112
Reserved for Endowment				
Unreserved, Undesignated	1,975,895	37,934	420,137	(630,271)
Total Fund Equity and Other Credits	<u>2,532,824</u>	<u>62,744</u>	<u>496,785</u>	<u>(287,080)</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$8,659,155</u>	<u>\$437,637</u>	<u>\$1,206,360</u>	<u>\$874,280</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$125,624	\$212,368			\$4,627,177
				6,267,259
1,303	279			7,073
14,414				204,980
	9			44,484
				283,027
	10,704			10,704
19,232				19,232
2,188				2,188
	13,278			49,521
				57,297
				3,889
336,521		\$14,311,180		14,647,701
			\$496,785	496,785
			6,003,402	6,003,402
<u>499,282</u>	<u>236,638</u>	<u>14,311,180</u>	<u>6,500,187</u>	<u>32,724,719</u>
\$5,040	\$2,709			\$177,895
				0
				0
14,747				1,077,820
27,300			1,131,203	1,176,329
16,712			113,432	625,987
	2,528			283,027
10,317				5,846,648
	5,075			5,075
	46,271			46,271
				8,441
	3,889			3,889
				500,000
			530,652	530,652
			4,724,900	4,724,900
<u>74,116</u>	<u>60,472</u>		<u>6,500,187</u>	<u>15,006,934</u>
		14,311,180		14,311,180
163,726				163,726
261,440				261,440
				607,470
				48,471
				8,826
				3,889
	10,704			10,704
				332,922
	129,580			129,580
	35,882			1,839,577
<u>425,166</u>	<u>176,166</u>	<u>14,311,180</u>		<u>17,717,785</u>
<u>\$499,282</u>	<u>\$236,638</u>	<u>\$14,311,180</u>	<u>\$6,500,187</u>	<u>\$32,724,719</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expensible Trust
Revenues:						
Property Taxes	\$5,273,471		\$657,328	\$586,733		\$6,517,532
Payment in Lieu of Taxes	10,385					10,385
Intergovernmental	8,462,326	\$770,587	96,815	303,964		9,633,692
Interest	283,422	3,490	24,113	10,165	\$10,160	331,350
Tuition and Fees	102,102					102,102
Rent	14,678					14,678
Extracurricular Activities		167,113				167,113
Gifts and Donations	7,747	7,568				15,315
Miscellaneous	162,607	71,688		30,000		264,295
Total Revenues	14,316,738	1,020,446	778,256	930,862	10,160	17,056,462
Expenditures:						
Current:						
Instruction:						
Regular	7,176,314	109,504		113,846		7,399,664
Special	843,428	306,798				1,150,226
Vocational	683,409			9,389		692,798
Adult/Continuing		53,903				53,903
Other	311,574					311,574
Support Services:						
Pupils	796,920	168,128		730		965,778
Instructional Staff	854,880	99,104				953,984
Board of Education	52,102					52,102
Administration	993,095	4,815				997,910
Fiscal	314,641		21,650	10,530		346,821
Business	210,586					210,586
Operation and Maintenance of Plant	1,521,886	2,286		674,673		2,198,845
Pupil Transportation	546,827					546,827
Central	6,152					6,152
Non-Instructional Services		248,914			8,105	257,019
Extracurricular Activities	295,351	134,573				429,924
Capital Outlay	6,471			21,976		28,447
Debt Service:						
Principal Retirement			520,377			520,377
Interest and Fiscal Charges			244,293	28,310		272,603
Total Expenditures	14,613,636	1,128,025	786,320	859,454	8,105	17,395,540
Excess of Revenues Over (Under) Expenditures	(296,898)	(107,579)	(8,064)	71,408	2,055	(339,078)
Other Financing Sources (Uses):						
Operating Transfers In		10,000	45,377			55,377
Operating Transfers Out	(55,377)					(55,377)
Total Other Financing Sources (Uses)	(55,377)	10,000	45,377			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(352,275)	(97,579)	37,313	71,408	2,055	(339,078)
Fund Balances (Deficit) at Beginning of Year	2,885,099	160,323	459,472	(358,488)	44,531	3,190,937
Fund Balances (Deficit) at End of Year	\$2,532,824	\$62,744	\$496,785	(\$287,080)	\$46,586	\$2,851,859

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$5,048,149	\$5,224,618	\$176,469			
Payment in Lieu of Taxes	5,000	10,385	5,385			
Intergovernmental	8,580,759	8,468,167	(112,592)	\$717,885	\$724,978	\$7,093
Interest	284,000	303,428	19,428	2,935	3,690	755
Tuition and Fees	71,792	102,777	30,985			
Rent		14,678	14,678			
Extracurricular Activities				167,855	167,855	
Gifts and Donations		7,747	7,747	6,850	7,568	718
Miscellaneous	150,553	175,155	24,602	68,350	71,710	3,360
Total Revenues	14,140,253	14,306,955	166,702	963,875	975,801	11,926
Expenditures:						
Current:						
Instruction:						
Regular	7,166,823	7,165,926	897	130,874	109,529	21,345
Special	848,150	840,985	7,165	312,424	288,190	24,234
Vocational	702,964	677,885	25,079			
Adult/Continuing				69,039	50,193	18,846
Other	223,977	223,128	849			
Support Services:						
Pupils	804,336	800,027	4,309	155,238	154,238	1,000
Instructional Staff	864,101	862,514	1,587	113,161	99,979	13,182
Board of Education	57,549	53,059	4,490			
Administration	1,068,635	992,036	76,599	5,165	5,165	
Fiscal	335,560	334,096	1,464			
Business	255,807	246,030	9,777			
Operation and Maintenance of Plant	1,574,362	1,565,225	9,137	6,959	2,286	4,673
Pupil Transportation	583,015	538,063	44,952			
Central	8,083	8,024	59			
Non-Instructional Services						
Extracurricular Activities	304,135	302,226	1,909	255,012	254,873	139
Capital Outlay	30,611	30,471	140	148,213	148,213	
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	14,828,108	14,639,695	188,413	1,196,085	1,112,666	83,419
Excess of Revenues Over (Under) Expenditures	(687,855)	(332,740)	355,115	(232,210)	(136,865)	95,345
Other Financing Sources (Uses):						
Proceeds from Sale of Notes						
Refund of Prior Year Expenditures		80	80			
Advances In		69,789	69,789		102,538	102,538
Advances Out		(280,498)	(280,498)		(17,235)	(17,235)
Operating Transfers In				10,000	10,000	
Operating Transfers Out	(55,377)	(55,377)				
Total Other Financing Sources (Uses)	(55,377)	(266,006)	(210,629)	10,000	95,303	85,303
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(743,232)	(598,746)	144,486	(222,210)	(41,562)	180,648
Fund Balances at Beginning of Year	3,474,713	3,474,713		176,798	176,798	
Prior Year Encumbrances Appropriated	160,821	160,821		29,309	29,309	
Fund Balances at End of Year	\$2,892,302	\$3,036,788	\$144,486	(\$16,103)	\$164,545	\$180,648

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$856,000	\$834,738	(\$21,262)	\$395,000	\$391,067	(\$3,933)			
79,671	96,815	17,144	250,582	269,131	18,549			
21,500	25,617	4,117	10,215	10,600	385	\$9,534	\$10,278	\$744
			30,000	30,000		1,300	1,296	(4)
957,171	957,170	(1)	685,797	700,798	15,001	10,834	11,574	740
			137,722	113,846	23,876			
			9,389	9,389				
			590	590				
22,092	21,650	442	10,530	10,530				
			1,053,172	1,053,172				
						10,105	10,105	
			13,289	13,289				
1,180,377	1,180,377							
276,782	276,782							
1,479,251	1,478,809	442	1,224,692	1,200,816	23,876	10,105	10,105	
(522,080)	(521,639)	441	(538,895)	(500,018)	38,877	729	1,469	740
500,000	500,000							
				177,960	177,960			
				(52,553)	(52,553)			
45,377	45,377							
545,377	545,377			125,407	125,407			
23,297	23,738	441	(538,895)	(374,611)	164,284	729	1,469	740
395,260	395,260		67,706	67,706		33,751	33,751	
			348,693	348,693				
\$418,557	\$418,998	\$441	(\$122,496)	\$41,788	\$164,284	\$34,480	\$35,220	\$740

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues:			
Sales	\$458,052		\$458,052
Donations		\$69,727	69,727
Other Operating Revenues	187		187
Total Operating Revenues	<u>458,239</u>	<u>69,727</u>	<u>527,966</u>
Operating Expenses:			
Salaries	171,419		171,419
Fringe Benefits	136,759		136,759
Purchased Services	11,200		11,200
Materials and Supplies	11,595		11,595
Cost of Sales	357,547		357,547
Depreciation	27,299		27,299
Total Operating Expenses	<u>715,819</u>		<u>715,819</u>
Operating Income (Loss)	<u>(257,580)</u>	<u>69,727</u>	<u>(187,853)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	52,891		52,891
Interest	5,951		5,951
Operating Grants	143,626		143,626
Loss on Disposal of Fixed Asset	(335)		(335)
Total Non-Operating Revenues (Expenses)	<u>202,133</u>		<u>202,133</u>
Net Income (Loss)	(55,447)	69,727	14,280
Retained Earnings at Beginning of Year	238,725	59,853	298,578
Residual Equity Transfer Out	(19,552)		(19,552)
Retained Earnings at End of Year	<u>163,726</u>	<u>129,580</u>	<u>293,306</u>
Contributed Capital at Beginning of Year	259,946		259,946
Contributions from Other Funds	1,494		1,494
Contributed Capital at End of Year	<u>261,440</u>		<u>261,440</u>
Total Fund Equity at End of Year	<u>\$425,166</u>	<u>\$129,580</u>	<u>\$554,746</u>

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (BUDGETARY BASIS)
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Sales	\$483,223	\$479,062	(\$4,161)			\$0
Interest	5,000	6,449	1,449	\$69,727	\$69,727	
Operating Grants	126,500	129,212	2,712			
Total Revenues	<u>614,723</u>	<u>614,723</u>		<u>69,727</u>	<u>69,727</u>	
Expenses:						
Salaries	199,905	191,583	8,322			
Fringe Benefits	119,447	119,401	46			
Purchased Services	10,620	10,550	70			
Materials and Supplies	343,342	319,298	24,044			
Capital Outlay	56,672	37,297	19,375			
Total Expenses	<u>729,986</u>	<u>678,129</u>	<u>51,857</u>			
Excess of Revenues Over (Under) Expenses	(115,263)	(63,406)	51,857	69,727	69,727	
Fund Balances at Beginning of Year	137,455	137,455		59,853	59,853	
Prior Year Encumbrances Appropriated	42,423	42,423				
Fund Balances at End of Year	<u>\$64,615</u>	<u>\$116,472</u>	<u>\$51,857</u>	<u>\$129,580</u>	<u>\$129,580</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Totals (Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$479,062		\$479,062
Cash Payments for Salaries	(191,583)		(191,583)
Cash Payments for Fringe Benefits	(119,401)		(119,401)
Cash Payments to Suppliers for Goods and Services	(335,510)		(335,510)
Net Cash Provided by (Used for) Operating Activities	<u>(167,432)</u>		<u>(167,432)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	129,212		129,212
Cash Received from Donations		\$69,727	69,727
Net Cash Provided by Noncapital Financing Activities	<u>129,212</u>	<u>69,727</u>	<u>198,939</u>
Cash Flows from Capital and Related Financing Activities:			
Cash Payments for Fixed Assets	<u>(22,666)</u>		<u>(22,666)</u>
Cash Flows from Investing Activities:			
Cash Received from Interest	<u>5,951</u>		<u>5,951</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(54,935)	69,727	14,792
Cash and Cash Equivalents at Beginning of Year	180,559	59,853	240,412
Cash and Cash Equivalents at End of Year	<u>125,624</u>	<u>129,580</u>	<u>255,204</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(257,580)	69,727	(187,853)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	27,299		27,299
Donated Commodities Used During Year	52,891		52,891
Donations		(69,727)	(69,727)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	20,417		20,417
Decrease in Inventory Held for Resale	9,030		9,030
Increase in Materials and Supplies Inventory	(74)		(74)
Increase in Prepaid Items			0
Increase in Accounts Payable	(16,611)		(16,611)
Decrease in Accrued Wages and Benefits	1,559		1,559
Increase in Compensated Absences Payable	1,935		1,935
Decrease in Intergovernmental Payable	(6,298)		(6,298)
Total Adjustments	<u>90,148</u>	<u>(69,727)</u>	<u>20,421</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$167,432)</u>	<u>\$0</u>	<u>(\$167,432)</u>

See Accompanying Notes to the General Purpose Financial Statements.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established in 1862 through the consolidation of existing land areas and school districts. The District serves an area of approximately forty-two square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of St. Marys, Moulton, Noble, Washington, Salem, and Loan Townships. It is staffed by ninety-four classified employees, one hundred sixty-six certified teaching personnel, and seventeen administrative employees who provide services to 2,509 students and other community members. The District currently operates seven instructional buildings and a district service building.

A. Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The following activities are included within the reporting entity:

Parochial School - Within the 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 District, as directed by the parochial school. The activity is reflected in a special revenue fund of the District for financial reporting purposes.

The District is associated with three jointly governed organizations, two insurance pools, and a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the NOACSC Workers' Compensation Group Rating Plan, Mercer-Auglaize Area Schools Employee Benefit Trust, and the St. Marys Community Public Library. These organizations are presented in Notes 22, 23, and 24 to the general purpose financial statements.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Marys City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

A. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

The General Fund is the operating fund of the District and 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Funds

Enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, except those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District, except those accounted for in the proprietary or trust funds.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund type and nonexpendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trusts and agency funds. The full accrual basis of accounting is followed for the proprietary fund type and the nonexpendable trust fund.

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements and receivables that were not collected within the available period are also recorded as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Auglaize County Budget Commission for rate determination.

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and expendable trust funds and reported in the notes to the financial statements for proprietary fund types.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit, STAR Ohio, and federal agency securities. The federal agency securities are reported at fair value which is based on quoted market prices. Non-negotiable certificates of deposit 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, 2001.

The District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$283,422, which included approximately \$13,888 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and those not purchased from the pool, are reported as investments.

E. Inventory

Inventory in the proprietary funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated and purchased food and is expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts previously required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 20 for the calculations of the year-end restricted asset balance and the corresponding reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The District maintains a capitalization threshold of two hundred and fifty dollars. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. All fixed assets are depreciated on a straight line basis over their estimated useful lives. In proprietary funds, depreciation is an element in the determination of net income and is recorded annually as an expense.

For governmental funds, depreciation does not represent a source or use of financial resources, and is therefore not recorded within these funds. The annual depreciation associated with general fixed assets is reported in the General Fixed Assets Account Group as an increase to accumulated depreciation and a decrease to the investment in general fixed assets account. The estimated useful lives assigned to the various classes of assets are:

	Years
Land Improvements	25
Buildings	30 - 75
Building Improvements	5 - 30
Improvements Other Than Buildings	15 - 30
Furniture, Fixtures, and Equipment	5 - 20
Musical Instruments	15
Vehicles	3 - 15

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables". Long-term interfund loans are classified as "Advances to/from Other Funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable (ten or more years of service with the District) of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

Personal leave benefits are accrued as a current liabilities. Personal leave is paid to employees based on board policy, and the amount is based on the balance of unused personal leave and employee's wage rates at fiscal year end.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long-term loans and bonds are reported as liabilities in the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, budget stabilization, advances, bus purchases, notes receivable, endowments, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for the endowments represents the amount held by the District that cannot be expended.

N. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Allocation

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Teacher Development Block Grant
- Education Management Information Systems
- Data Connectivity
- SchoolNet Professional Development
- Ohio Reads
- Summer Intervention
- Extended Learning Opportunities
- Safe School Help Line
- SIRI Transportation
- Adult Basic and Literacy Education
- Eisenhower Math/Science
- Title VI-B
- Title I
- Title VI
- Drug Free
- Title VI-R Reducing Class Size
- Preschool Handicapped

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

Vocational Education Equipment
SchoolNet, SchoolNet Plus, SchoolNet Praise
Power Up
Interactive Video Distance Learning
Emergency Building Repair

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements were 57 percent of the revenues of the District's governmental fund types during the 2001 fiscal year.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Use of Estimates

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

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available.

The implementation of these standards did not materially affect the financial statements.

4. ACCOUNTABILITY

The following funds had deficit fund balances at June 30,2001:

Fund Type/Fund	Deficit
Special Revenue Funds	
Auxiliary Services	\$62,671
Ohio Reads	32
GED Testing Services	1,274
Title VI B	19,418
Title VI-R Reducing Class Size	126
Capital Projects Funds	
Emergency Building Repair	518,421
SchoolNet - IVDL	8,416
Classroom Facilities	5,595

The deficits in the special revenue funds and the SchoolNet and classroom facilities capital projects funds were created by the application of generally accepted accounting principles. The deficit in the Emergency Building Repair capital projects fund was created by the requirement to report the tax anticipation notes as a fund liability. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds and as note disclosure in the proprietary fund types (GAAP basis).
- d. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- e. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund
Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$352,275)	(\$97,579)	\$37,313	\$71,408	\$2,055
Revenue Accruals	(995)	(18,963)	(15,079)	(38,010)	11
Expenditure Accruals	113,154	134,620	0	26,518	0
Cash on Hand					
Beginning of Period	7,056	354	2,643	1,426	769
End of Period	(692)	(154)	(1,139)	(991)	(662)
Changes in Fair Value	(23,101)	0	0	0	0
Prepaid Items	2,444	0	0	0	0
Notes Receivable					
Repaid	0	0	0	0	1,296
Issued	0	0	0	0	(2,000)
Advances In	80,661	102,538	0	177,960	0
Advances Out	(288,029)	(17,235)	0	(52,553)	0
Notes Payable					
Issued	0	0	500,000	0	0
Paid	0	0	(660,000)	0	0
Interest Paid on Notes	0	0	(32,489)	32,489	0
Distribution of Debt Activity	0	0	192,489	(192,489)	0
Encumbrances Outstanding	(136,969)	(145,143)	0	(400,429)	0
Budget Basis	<u>(\$598,746)</u>	<u>(\$41,562)</u>	<u>\$23,738</u>	<u>(\$374,611)</u>	<u>\$1,469</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss /Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	(\$55,447)
Revenue Accruals	6,004
Expense Accruals	(19,416)
Cash on Hand	
Beginning of Period	681
End of Period	(183)
Inventory Held for Resale	9,030
Materials and Supplies Inventory	(74)
Acquisition of Fixed Assets	(22,666)
Depreciation Expense	27,299
Loss on Disposal of Fixed Asset	335
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(8,969)
Budget Basis	<u><u>(\$63,406)</u></u>

6. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

- a. 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;

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

- b. 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;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

At fiscal year end, the District had \$4,615 in undeposited cash on hand which is included on the Combined Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *"Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements"*.

At fiscal year end, the carrying amount of the District's deposits was \$729,097 and the bank balance was \$1,071,322. Of the bank balance, \$171,844 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Risk Category 2	Fair Value
Federal Home Loan Mortgage Corp.	\$1,001,410	\$1,001,410
Federal Home Loan Bank	1,926,264	1,926,264
	\$2,927,674	2,927,674
STAROhio		1,023,088
Total		\$3,950,762

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,684,474	\$0
Cash on Hand	(4,615)	0
Investments:		
Federal Home Loan Mortgage Corp	(1,001,410)	1,001,410
Federal Home Loan Bank	(1,926,264)	1,926,264
STAR Ohio	(1,023,088)	1,023,088
GASB Statement No. 3	\$729,097	\$3,950,762

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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 District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value.

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.

The District receives property taxes from Auglaize County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, is available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$495,743, in the General Fund, \$76,648, in the Bond Retirement debt service fund, and \$35,079, in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$446,890, in the General Fund, \$61,569, in the Bond Retirement debt service fund, and \$31,902, in the Permanent Improvement capital projects fund.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$165,343,460	78.89%	\$167,331,560	78.42%
Public Utility	10,526,820	5.02	10,410,960	4.88
Tangible Personal	33,717,870	16.09	35,645,360	16.7
Total Assessed Value	<u>\$209,588,150</u>	<u>100.00%</u>	<u>\$213,387,880</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.45		\$49.05	

The increase in millage is due to the passage of a .06 mills levy for the library construction.

8. PAYMENT IN LIEU OF TAXES

As provided by State law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2001 were to \$10,385.

9. RECEIVABLES

Receivables at June 30, 2001, consisted of both property taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, accrued interest, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, the current year guarantee of federal funds, and the District's policy on collecting student fees. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Vocational Travel Reimbursement	\$1,907
Special Revenue Funds	
Modular Reimbursement	72,175
GED Text Reimbursement	1,856
Erate	810
Eisenhower Math/Science	871
Title VI B	49,000
Total Special Revenue Funds	<u>124,712</u>
Capital Projects Funds	
OSFC Restroom Renovation	24,676
SchoolNet	31,500
Vocational Equipment Reimbursement	7,771
Total Capital Projects Funds	<u>63,497</u>
Enterprise Funds	
Food Service	14,414
Total Intergovernmental Receivables	<u><u>\$204,980</u></u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. NOTES RECEIVABLE

The Mooney Scholarship Fund was established in 1982 through a probate will. Qualified students may borrow up to \$1,000 to pay for the costs of higher education. Repayment begins nine months after termination of college attendance. Also at that time, the principal begins accruing interest at a rate of four percent per annum. At the close of fiscal year 2001, there were twelve students with outstanding loans and a total principal loan balance of \$10,704.

11. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Buildings	\$30,781
Furniture and Equipment	539,766
Total	<u>570,547</u>
Less Accumulated Depreciation	<u>(234,026)</u>
Net Fixed Assets	<u><u>\$336,521</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2001</u>
Land and Improvements	\$774,646	\$88,018	\$0	\$862,664
Buildings and Improvements	12,875,234	360,514	0	13,235,748
Improvements Other Than Buildings	563,646	11,845	9,657	565,834
Furniture, Fixtures, and Equipment	4,330,741	498,952	89,539	4,740,154
Musical Instruments	257,954	6,237	804	263,387
Vehicles	1,313,475	153,530	57,970	1,409,035
Construction in Progress	48,584	48,502	48,584	48,502
Total Fixed Assets	<u>20,164,280</u>	<u>1,167,598</u>	<u>206,554</u>	<u>21,125,324</u>
Less Accumulated Depreciation	<u>(6,171,161)</u>	<u>(772,920)</u>	<u>(129,937)</u>	<u>(6,814,144)</u>
Net Fixed Assets	<u><u>\$13,993,119</u></u>			<u><u>\$14,311,180</u></u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. INTERFUND ASSETS/LIABILITIES

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund		Advances	
	Receivable	Payable	Receivable	Payable
General Fund	\$283,027	\$0	\$3,889	\$0
Special Revenue Funds				
Auxiliary Services	0	72,675	0	0
GED Testing Services	0	2,597	0	0
Title VI B	0	27,267	0	0
Total Special Revenue Funds	0	102,539	0	0
Capital Projects Funds				
Permanent Improvement	0	147,689	0	0
Classroom Facility	0	30,271	0	0
Total Capital Projects Funds	0	177,960	0	0
Agency Fund				
Student Activities	0	2,528	0	3,889
Totals	<u>\$283,027</u>	<u>\$283,027</u>	<u>\$3,889</u>	<u>\$3,889</u>

13. RISK MANAGEMENT

The 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 2001, the District contracted for the following insurance coverages.

Coverages provided by Nationwide Insurance Company are as follows:

Building and Contents - Replacement Cost (\$1,000 deductible)	\$40,621,900
Boiler (\$1,000 deductible, \$100,000 food spoilage)	19,178,100
EDP (\$250 deductible)	
Equipment	440,671
Media	56,000
Miscellaneous Equipment	64,606
Musical Instruments (no deductible)	124,950
Audio/Visual Equipment (no deductible)	48,775
Automobile Liability	2,000,000
Medical Payments per Person	10,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Commercial Crime	15,000
Crime	3,000
Inside Premises	3,000
Outside Premises	3,000
Commercial Umbrella Liability	
Per Occurrence	5,000,000
General Aggregate	5,000,000

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. RISK MANAGEMENT (Continued)

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

For fiscal year 2001, the District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates-McDonald Health Plus provides administrative, cost control, and actuarial services to the Plan.

The District participates in the Mercer-Auglaize Schools Employee Benefit Trust (the Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The District pays monthly premiums to the Trust for employee insurance coverages. 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.

14. CONTRACTUAL OBLIGATIONS

As of June 30, 2001, the District had the following contractual obligations:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Cardinal Bus Sales, Inc.	School Bus 72 Passenger	\$54,898
Cardinal Bus Sales, Inc.	School Bus 48 Passenger	56,960
Rieck Electric Company	Soccer Stadium Lights	68,291
H. A. Dorsten, Inc.	Locker Room Renovations	7,634
T& D Interiors, Inc.	Locker Room Renovations	9,357
Kogge, Inc.	Locker Room Renovations	15,805
Baumer Construction	Weld Shop Renovation	11,130
Elwer Fence	Fence - Track and Football Field	8,529
Elwer Fence	Fence - Soccer Field	3,143
DPL Energy, Inc.	Soccer Stadium Lights	4,950
Smith Boughan, Inc.	Boiler Repair and Replacement	43,620
Lippincott Plumbing and Heating	Install Fiber Optic Cable	69,109
Total		<u><u>\$353,426</u></u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$733,831, \$439,800, and \$422,689, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$122,382, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$73,946, \$91,659, and \$119,662, respectively; 42 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$42,736, is recorded as a liability within the respective funds and the general long-term obligations account group.

**ST. MARYS CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. DEFINED BENEFIT PENSION PLANS

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, 2001, five of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

16. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$347,604.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$206,198 for fiscal year 2001. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees, upon completion of one year of service, earn ten to twenty days of vacation per fiscal year, depending upon length of service. All 260-day administrative personnel earn twenty days of vacation per contract period. Accumulated unused vacation time is paid to the classified employees and 260-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 up to a maximum of two hundred days all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty days for all personnel, except bus drivers who receive a maximum of 47 days.

B. Health Care Benefits

The District provides medical, prescription drug and dental insurance benefits to all employees through the Mercer-Auglaize Schools Employee Benefit Trust. The Board of Education pays the cost of the monthly premiums. The premiums varies with each employee depending on marital and family status.

Vision care is provided through Vision Service Plan, Inc. The premium is a set fee per employee covered. Life insurance benefits are provided at \$25,000 per employee, which reduce to 42 percent, 28 percent, 19 percent, and 13 percent at ages 70, 75, 80, and 85, respectively, through CoreSource. The life insurance amount for the Superintendent and Treasurer is equal to their most current contract. The premium is a set fee per employee, which is reduced as above.

18. SHORT-TERM OBLIGATIONS

Note debt activity for the year ended June 30, 2001, consisted of the following:

General Obligation Notes:	Balance 6/30/2000	Additions	Deductions	Balance 6/30/2001
Capital Projects Fund				
Building Fund				
4.95% Bond Anticipation Notes	\$660,000	\$500,000	\$660,000	\$500,000

By Ohio law, notes can be issued in anticipation of bond proceeds or for up to 50 percent of anticipated revenue collections. The notes are issued in anticipation of bonds and mature one year from the date of issuance.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	<u>Balance at 6/30/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2001</u>
<u>General Long-Term Obligations</u>				
3.65 - 5% Construction Bonds	\$4,200,000	\$0	\$475,000	\$3,725,000
6.7% Library Construction Bonds	999,900	0	0	999,900
Asbestos Removal Loan	576,029	0	45,377	530,652
Total Long-Term Obligations	<u>5,775,929</u>	<u>0</u>	<u>520,377</u>	<u>5,255,552</u>
Compensated Absences Payable	1,063,417	67,786	0	1,131,203
Intergovernmental Payable	103,345	113,432	103,345	113,432
Total General Long-Term Obligations	<u>\$6,942,691</u>	<u>\$181,218</u>	<u>\$623,722</u>	<u>\$6,500,187</u>

Construction Bonds - On February 1, 1998, the District issued \$5,000,000 in bonds for the construction of additions to existing instructional buildings. The bonds were issued for ten years with final maturity on December 1, 2006. The bonds are being retired from the Bond Retirement debt service fund.

Library Construction Bonds - On June 1, 2000, the District issued \$999,900 in bonds for the construction of an addition to the existing community library. The bonds were issued for ten years with final maturity on December 1, 2010. The bonds are being retired from the Bond Retirement debt service fund.

Asbestos Removal Loans - In 1988, the District began an asbestos removal program throughout all of the District's buildings. Three asbestos removal loans totaling \$372,372 were received from the federal government. The loans were issued with varying maturities from ten to nineteen years, with a final maturity on December 30, 2007. The loans are being retired from the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented at net because it is not practical to determine the actual increase and decrease.

The District's overall debt margin was \$13,980,009 with an unvoted debt margin of \$213,388 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$610,277	\$222,857	\$833,134
2003	665,377	196,100	861,477
2004	750,377	164,931	915,308
2005	785,377	130,705	916,082
2006	845,377	93,965	939,342
2007-2013	1,598,767	123,528	1,722,295
Total	<u>\$5,255,552</u>	<u>\$932,086</u>	<u>\$6,187,638</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

20. SET ASIDE REQUIREMENTS

As stated in House Bill 412, revised in House Bill 345, school districts are required to maintain two reserves; one for capital acquisition and maintenance, and one for textbooks and other instructional materials. A reserve represents resources whose use is limited because of contractual or statutory restrictions. The following demonstrates the District's compliance with set-aside requirement in House Bill 412:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	\$0	\$0	\$150,058
Current Year Set Aside Requirement	312,064	312,064	0
Current Year Offsets	0	(390,339)	0
Qualifying Expenditures	(342,913)	(14,647)	0
Termination of Budget Reserve	0	0	(101,587)
Amount Carried Forward to Fiscal Year 2002	<u>(\$30,849)</u>	<u>(\$92,922)</u>	<u>\$48,471</u>
Set Aside Reserve Balance June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$48,471</u>

Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. The District had qualifying expenditures during the fiscal year that reduced the textbook and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements in future fiscal years. The total reserve balance for budget stabilization represents the restricted Bureau of Workers Compensation refunds.

21. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$369,620	\$88,619	\$458,239
Depreciation Expense	27,299	0	27,299
Operating Loss	(252,497)	(5,083)	(257,580)
Federal Donated Commodities	52,891	0	52,891
Operating Grants	143,626	0	143,626
Net Loss	(50,364)	(5,083)	(55,447)
Fixed Assets:			
Additions	22,666	0	22,666
Net Working Capital	56,673	59,272	115,945
Total Assets	435,620	63,662	499,282
Total Equity	365,894	59,272	425,166
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	0	8,969	8,969

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The 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, 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. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

West Central Ohio Regional Professional Development Center - The West Central Ohio Regional Professional Development Center (the Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The Center has appointed an eight member Executive Board, comprised of a representative from each county, which has the primary responsibility for the day to day operations. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. An Executive Committee of eight members is selected from the governing board and is given the authority to be the policy making body. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

23. INSURANCE POOL

NOACSC Workers' Compensation Group Rating Plan - The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

23. INSURANCE POOL (Continued)

The Mercer-Auglaize Schools Employee Benefits Trust - The Mercer-Auglaize Schools Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio 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 Jim Mauntler, J. M. Consulting., 3547 Beechway Boulevard, Toledo, Ohio 43614.

24. RELATED ORGANIZATION

St. Marys Community Public Library - 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 District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, 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, Bob Maurer, Clerk-Treasurer, at 140 South Chestnut Street, St. Marys, Ohio 45855.

25. GRANTS

The 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 District at June 30, 2001.

26. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

26. SCHOOL FUNDING DECISION (Continued)

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 10, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts.

Further, the State of Ohio, in a motion filed September 17, 2001, asked the court to reconsider and clarify parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirements that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such consideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program		10.550		\$50,731		\$52,891
National School Breakfast Program	05-PU 01 05-PU 00 05-PU 99	10.553	\$3,825 878 63		\$3,825 878 63	
Total National School Breakfast Program			4,766		4,766	
National School Lunch Program	LL-P1 01 LL-P4 01 LL-P1 00 LL-P4 00	10.555	67,992 29,824 13,801 6,167		67,992 29,824 13,801 6,167	
Total National School Lunch Program			117,784		117,784	
Total U.S. Department of Agriculture - Nutrition Cluster			122,550	50,731	122,550	52,891
U.S. DEPARTMENT OF EDUCATION (Passed through Ohio Department of Education)						
Adult Education - State Grant Program	AB-S1 01	84.002	52,017		52,017	
Title I, Part A, IASA	C1-S1 01 C1-S1 00	84.010	121,378 32,317		97,144 41,875	
Total Title I, Part A, IASA			153,695		139,019	
Title VI-B - Special Education Grants to States	6B-SF 01 6B-SF 00	84.027	165,097		95,679 79,098	
Total Title VI-B			165,097		174,777	
Drug Free Education - Subsidy	DR-S1 01	84.186	10,587		7,288	
Title VI Innovative Education Program Strategies	C2-S1 01 C2-S1 00	84.298	13,765		12,511 5,728	
Total Title VI			13,765		18,239	
Eisenhower Professional Development State Grants	MS-S1 01 MS-S1 00	84.281	7,836		6,520 2,790	
Total Eisenhower Professional Development State Grants			7,836		9,310	
Class Size Reduction Program	CR-S1 01 CR-S1 00	84.340	37,981		31,192 4,200	
Total Class Size Reduction Program			37,981		35,392	
Total U.S. Department of Education			440,978		436,042	
Total Federal Assistance			\$563,528	\$50,731	\$558,592	\$52,891

See accompanying notes to the Schedule of Federal Awards Expenditures.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarized activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C- FEDERAL AWARDS EXPENDITURES ADMINISTERED BY OTHER GOVERNMENTS

St. Marys City School District also benefitted from other federal award expenditure programs which were passed through the State Department of Education to the Auglaize County Educational Service Center. These programs are administered by the Auglaize County Educational Service Center and are audited according to the Single Audit Act (A-133) at that level. The financial activity of these federal award expenditure programs are reflected in the accompanying financial statements.

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Titles	Federal CFDA Number	Project Number	Amount Expended on Behalf
UNITED STATES DEPARTMENT OF			
Passed through Ohio Department of Education			
Auglaize County Educational Service Center			
Preschool Handicapped Program	84.173	045930-PG-S1-	\$15,779
		045930-PG-S1-	8,636

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

St. Marys City School District
Auglaize County
101 West South Street
St. Marys, OH 45885

To the Board of Education:

We have audited the financial statements of St. Marys City School District, Auglaize County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 2001.

St. Marys City School District
Auglaize County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

Jim Petro
Auditor of State

December 10, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

St. Marys City School District
Auglaize County
101 West South Street
St. Marys, OH 45885

To the Board of Education:

Compliance

We have audited the compliance of St. Marys City School District, Auglaize County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 10, 2001

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B CFDA# 84.027
<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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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ST. MARYS 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
JANUARY 10, 2002**