



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

St. Marys City School District  
Auglaize County  
101 West South Street  
St. Marys, Ohio 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, 2002, 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, 2002, 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 February 4, 2003, on our consideration of the St. Marys City School 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.

As discussed in Note 3, to the general-purpose financial statements, the District changed its method of accounting for fixed assets and inventory, during fiscal year 2002.

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St. Marys City School District  
Auglaize County  
Independent Accountants' Report  
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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. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 4, 2003

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,069,394	\$260,994	\$615,167	\$296,512
Cash and Cash Equivalents with Fiscal Agent		1,229		
Receivables:				
Property Taxes	5,209,844		859,717	374,290
Accounts	14,988	923		
Interfund	158,165			
Intergovernmental		2,888		
Accrued Interest	44,402			
Notes				
Inventory Held for Resale				
Materials and Supplies Inventory				
Prepaid Items	9,936			
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	32,616			
Advances to Other Funds	2,222			
Fixed Assets (net of accumulated depreciation)				
<b>Other Debits:</b>				
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>8,541,567</u>	<u>266,034</u>	<u>1,474,884</u>	<u>670,802</u>
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	42,781	18,397		
Contracts Payable				94,058
Accrued Wages and Benefits	1,146,392	47,304		
Compensated Absences Payable				
Interfund Payable		586		155,766
Intergovernmental Payable	361,981	34,678		
Due to Students				
Undistributed Monies				
Deferred Revenue	4,780,782	2,762	794,418	344,025
Accrued Interest Payable				5,196
Notes Payable				500,000
Advances from Other Funds				
Asbestos Removal Loans Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>6,331,936</u>	<u>103,727</u>	<u>794,418</u>	<u>1,099,045</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved (Deficit)				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	436,754		65,299	30,265
Reserved for Notes Receivable				
Reserved for Bus Purchase	32,616			
Reserved for Advances	2,222			
Reserved for Encumbrances	51,241	14,595		165,746
Reserved for Endowments				
Unreserved (Deficit)	1,686,798	147,712	615,167	(624,254)
Total Fund Equity (Deficit) and Other Credits	<u>2,209,631</u>	<u>162,307</u>	<u>680,466</u>	<u>(428,243)</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<u><u>\$8,541,567</u></u>	<u><u>\$266,034</u></u>	<u><u>\$1,474,884</u></u>	<u><u>\$670,802</u></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			
\$118,493	\$220,342			\$4,580,902 1,229
1,215	395			6,443,851 17,521 158,165 2,888 44,402
20,481	11,722			11,722 20,481 2,669
2,669	13,677			23,613 32,616 2,222
158,764		\$12,677,890		12,836,654
			\$680,466	680,466
			5,234,043	5,234,043
<u>301,622</u>	<u>246,136</u>	<u>12,677,890</u>	<u>5,914,509</u>	<u>30,093,444</u>
2,342	1,656			65,176 94,058
17,813				1,211,509
26,479			1,153,566	1,180,045 158,165
15,601	1,813		115,667	527,927 61,400 6,000
	61,400			61,400 6,000
	6,000			5,921,987 5,196 500,000
	2,222			2,222
			485,276	485,276
			4,160,000	4,160,000
<u>62,235</u>	<u>73,091</u>		<u>5,914,509</u>	<u>14,378,961</u>
		12,677,890		12,677,890
(22,053)				(22,053)
261,440				261,440
	11,722			532,318 11,722 32,616 2,222 231,582
	129,580			129,580
	31,743			1,857,166
<u>239,387</u>	<u>173,045</u>	<u>12,677,890</u>		<u>15,714,483</u>
<u>\$301,622</u>	<u>\$246,136</u>	<u>\$12,677,890</u>	<u>\$5,914,509</u>	<u>\$30,093,444</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, 2002**

	<b>Governmental Fund Types</b>				<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>	
<b>Revenues:</b>						
Property Taxes	\$5,272,553		\$876,290	\$415,217		\$6,564,060
Payment in Lieu of Taxes	15,595					15,595
Intergovernmental	9,412,663	\$1,063,174	104,553	150,318		10,730,708
Interest	203,715	1,343	13,172	3,358	\$5,984	227,572
Tuition and Fees	310,417					310,417
Extracurricular Activities		155,702				155,702
Gifts and Donations	976	8,831				9,807
Miscellaneous	168,927	35,585		30,000		234,512
<b>Total Revenues</b>	<b>15,384,846</b>	<b>1,264,635</b>	<b>994,015</b>	<b>598,893</b>	<b>5,984</b>	<b>18,248,373</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	7,395,546	341,904		3,968		7,741,418
Special	1,076,300	267,791				1,344,091
Vocational	721,618					721,618
Adult/Continuing		69,389				69,389
Other	535,281					535,281
Support Services:						
Pupils	934,680	104,355		4,665		1,043,700
Instructional Staff	962,586	140,959				1,103,545
Board of Education	80,138					80,138
Administration	1,084,661	4,728				1,089,389
Fiscal	340,396		22,578	10,225		373,199
Business	213,307					213,307
Operation and Maintenance of Plant	1,332,378	4,032		177,440		1,513,850
Pupil Transportation	617,145	58				617,203
Central	8,188					8,188
Non-Instructional Services		101,250			9,105	110,355
Extracurricular Activities	303,558	150,606				454,164
Capital Outlay	31,285			531,317		562,602
Debt Service:						
Principal Retirement			610,276			610,276
Interest and Fiscal Charges			222,857	18,036		240,893
<b>Total Expenditures</b>	<b>15,637,067</b>	<b>1,185,072</b>	<b>855,711</b>	<b>745,651</b>	<b>9,105</b>	<b>18,432,606</b>
Excess of Revenues Over (Under) Expenditures	(252,221)	79,563	138,304	(146,758)	(3,121)	(184,233)
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In		20,000	45,377	5,595		70,972
Operating Transfers Out	(70,972)					(70,972)
<b>Total Other Financing Sources (Uses)</b>	<b>(70,972)</b>	<b>20,000</b>	<b>45,377</b>	<b>5,595</b>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(323,193)	99,563	183,681	(141,163)	(3,121)	(184,233)
Fund Balances (Deficit) at Beginning of Year	2,532,824	62,744	496,785	(287,080)	46,586	2,851,859
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ 2,209,631</b>	<b>\$ 162,307</b>	<b>\$ 680,466</b>	<b>\$ (428,243)</b>	<b>\$ 43,465</b>	<b>\$ 2,667,626</b>

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$5,221,707	\$5,331,542	\$109,835			
Intergovernmental	9,272,460	9,408,727	136,267	\$1,056,452	\$1,060,418	\$3,966
Interest	210,000	212,236	2,236	1,690	1,419	(271)
Tuition and Fees	194,700	310,017	115,317			
Extracurricular Activities				130,000	155,882	25,882
Gifts and Donations	1,000	976	(24)	7,223	8,831	1,608
Miscellaneous	157,531	167,473	9,942	35,553	35,565	12
Total Revenues	<u>15,057,398</u>	<u>15,430,971</u>	<u>373,573</u>	<u>1,230,918</u>	<u>1,262,115</u>	<u>31,197</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	7,372,819	7,372,819		387,814	347,004	40,810
Special	970,964	970,964		290,132	266,500	23,632
Vocational	715,446	715,446				
Adult/Continuing				77,969	69,203	8,766
Other	626,427	626,427				
Support Services:						
Pupils	908,260	908,260		198,801	194,292	4,509
Instructional Staff	947,396	947,396		119,828	94,467	25,361
Board of Education	70,438	70,438				
Administration	1,102,204	1,102,204		4,739	4,739	
Fiscal	341,705	341,705				
Business	207,695	201,269	6,426			
Operation and Maintenance of Plant	1,368,469	1,368,469		7,269	4,020	3,249
Pupil Transportation	618,933	618,933		428		428
Central	11,297	11,297				
Non-Instructional Services						
Extracurricular Activities	307,791	307,791		158,561	125,056	33,505
Capital Outlay	31,285	31,285		148,947	148,947	
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>15,601,129</u>	<u>15,594,703</u>	<u>6,426</u>	<u>1,394,488</u>	<u>1,254,228</u>	<u>140,260</u>
Excess of Revenues						
Under Expenditures	<u>(543,731)</u>	<u>(163,732)</u>	<u>379,999</u>	<u>(163,570)</u>	<u>7,887</u>	<u>171,457</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Notes						
Refund of Prior Year Expenditures	12,537	12,537				
Advances In		280,498	280,498		586	586
Advances Out		(156,352)	(156,352)		(102,538)	(102,538)
Operating Transfers In				15,000	20,000	5,000
Operating Transfers Out	(70,972)	(70,972)				
Total Other Financing Sources (Uses)	<u>(58,435)</u>	<u>65,711</u>	<u>124,146</u>	<u>15,000</u>	<u>(81,952)</u>	<u>(96,952)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(602,166)</u>	<u>(98,021)</u>	<u>504,145</u>	<u>(148,570)</u>	<u>(74,065)</u>	<u>74,505</u>
Fund Balances at Beginning of Year	3,036,788	3,036,788		164,545	164,545	
Prior Year Encumbrances Appropriated	136,969	136,969		145,143	145,143	
Fund Balances at End of Year	<u>\$2,571,591</u>	<u>\$3,075,736</u>	<u>\$504,145</u>	<u>\$161,118</u>	<u>\$235,623</u>	<u>\$74,505</u>

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)
\$879,908	\$908,920	\$29,012	\$469,053	\$398,750	(\$70,303)			
75,485	104,553	29,068	236,466	185,151	(51,315)			
14,500	13,270	(1,230)	8,000	3,860	(4,140)	\$6,734	\$6,191	(\$543)
			60,007	30,000	(30,007)	831	926	95
969,893	1,026,743	56,850	773,526	617,761	(155,765)	7,565	7,117	(448)
			142,011	138,284	3,727			
			7,771	7,771				
			8,795	4,805	3,990			
19,883	22,578	(2,695)	8,000	10,225	(2,225)			
			846,800	844,575	2,225			
						11,105	11,105	
1,109,371	1,110,276	(905)						
247,738	244,138	3,600						
1,376,992	1,376,992		1,013,377	1,005,660	7,717	11,105	11,105	
(407,099)	(350,249)	56,850	(239,851)	(387,899)	(148,048)	(3,540)	(3,988)	(448)
500,000	500,000							
				155,766	155,766			
				(177,960)	(177,960)			
45,377	45,377		5,595	5,595				
545,377	545,377		5,595	(16,599)	(22,194)			
138,278	195,128	56,850	(234,256)	(404,498)	(170,242)	(3,540)	(3,988)	(448)
418,998	418,998		41,788	41,788		35,220	35,220	
			400,429	400,429				
\$557,276	\$614,126	\$56,850	\$207,961	\$37,719	(\$170,242)	\$31,680	\$31,232	(\$448)

**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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$466,776		\$466,776
<b>Operating Expenses:</b>			
Salaries	201,128		201,128
Fringe Benefits	131,385		131,385
Purchased Services	16,688		16,688
Materials and Supplies	4,017		4,017
Cost of Sales	363,013		363,013
Depreciation	11,967		11,967
Total Operating Expenses	<u>728,198</u>		<u>728,198</u>
Operating Loss	<u>(261,422)</u>		<u>(261,422)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	64,325		64,325
Operating Grants	165,180		165,180
Interest	1,612		1,612
Total Non-Operating Revenues	<u>231,117</u>		<u>231,117</u>
Net Loss	(30,305)		(30,305)
Retained Earnings/Fund Balance at Beginning of Year - Restated (Note 3)	<u>8,252</u>	<u>\$129,580</u>	<u>137,832</u>
Retained Earnings/Fund Balance (Deficit) at End of Year	(22,053)	129,580	107,527
Contributed Capital Beginning and End of Year	<u>261,440</u>		<u>261,440</u>
<b>Total Fund Equity</b>	<u><u>\$239,387</u></u>	<u><u>\$129,580</u></u>	<u><u>\$368,967</u></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 - (BUDGET BASIS)  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Funds</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>
<b>Revenues:</b>						
Sales	\$473,919	\$466,233	(\$7,686)			
Operating Grants	159,000	179,594	20,594			
Interest	2,000	1,702	(298)			
Other Operating Revenues		194	194			
<b>Total Revenues</b>	<u>634,919</u>	<u>647,723</u>	<u>12,804</u>			
<b>Expenses:</b>						
Salaries	200,000	201,724	(1,724)			
Fringe Benefits	130,000	129,655	345			
Purchased Services	16,000	17,211	(1,211)			
Materials and Supplies	348,969	309,886	39,083			
Capital Outlay	22,500	4,017	18,483			
<b>Total Expenses</b>	<u>717,469</u>	<u>662,493</u>	<u>54,976</u>			
Excess of Revenues Under Expenses	(82,550)	(14,770)	67,780			
Fund Balances at Beginning of Year	116,472	116,472		\$129,580	\$129,580	
Prior Year Encumbrances Appropriated	8,968	8,968				
<b>Fund Balances at End of Year</b>	<u>\$42,890</u>	<u>\$110,670</u>	<u>\$67,780</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 FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$466,427		\$466,427
Cash Payments for Salaries	(201,724)		(201,724)
Cash Payments for Fringe Benefits	(129,655)		(129,655)
Cash Payments for Goods and Services	(323,384)		(323,384)
Net Cash Used for Operating Activities	<u>(188,336)</u>		<u>(188,336)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash Received from Operating Grants	179,594		179,594
<b>Cash Flows from Investing Activities:</b>			
Cash Received from Interest	<u>1,612</u>		<u>1,612</u>
Net Decrease in Cash and Cash Equivalents	(7,130)		(7,130)
Cash and Cash Equivalents at Beginning of Year	125,623	\$129,580	255,203
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>118,493</u></u>	<u><u>129,580</u></u>	<u><u>248,073</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>			
Operating Loss	<u>(261,422)</u>		<u>(261,422)</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>			
Depreciation	11,967		11,967
Donated Commodities Received During Year	64,325		64,325
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	88		88
Increase in Inventory Held for Resale	(1,249)		(1,249)
Increase in Materials and Supplies Inventory	(481)		(481)
Decrease in Accounts Payable	(2,698)		(2,698)
Decrease in Accrued Wages and Benefits	3,066		3,066
Decrease in Compensated Absences Payable	(821)		(821)
Decrease in Intergovernmental Payable	(1,111)		(1,111)
Total Adjustments	<u>73,086</u>		<u>73,086</u>
<b>Net Cash Used for Operating Activities</b>	<u><u>(\$188,336)</u></u>	<u><u>\$0</u></u>	<u><u>(\$188,336)</u></u>
<b>Noncash Transactions:</b>			
The Food Service enterprise fund received \$64,325 in donated commodities.			
<b>Reconciliation of Trust and Agency Funds:</b>			
Cash and Cash Equivalents - All Fiduciary Funds		\$220,342	
Cash and Cash Equivalents - Expendable Trust Funds		(31,743)	
Cash and Cash Equivalents - Agency Funds		(59,019)	
<b>Cash and Cash Equivalents - Nonexpendable Trust Fund</b>		<u><u>\$129,580</u></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, 2002**

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

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

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School 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 Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships. The School District is the 199<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by eighty-six classified employees, one hundred eighty certified teaching personnel, and seventeen administrative employees who provide services to 2,374 students and other community members. The School 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 the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For St. Marys City School District, this includes general operations, food service, and student related activities of the School District.

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

The following activities are included within the reporting entity:

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

The School District participates in three jointly governed organizations and two insurance pools, and is associated with 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 (SERRC), NOACSC Workers' Compensation Group Rating Plan, Mercer Auglaize Employee Benefit Trust, and the St. Marys Community Public Library. These organizations are presented in Notes 21, 22, and 23 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, 2002  
(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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary fund type provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation - Fund Accounting**

The School 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 School 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 School 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 School District are financed. The acquisition, use, and balances of the School 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 School District's governmental fund types:

**General Fund**

The General Fund is the operating fund of the School 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 School 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 and 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, 2002  
(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).

**2. Proprietary Fund Type:**

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

**Enterprise Funds**

Enterprise funds are used to account for 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 School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are 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 School District, except those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group**

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(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 funds 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 trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund type.

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 School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange 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, payment in lieu of taxes, grants, interest, tuition, and student fees.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis, expenses are recognized at the time they are incurred.

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 governmental funds.

**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 legal level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations within the object level in the General Fund and the function and object level for all other funds are made by the School District Treasurer.

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.

The Preschool Handicap special revenue fund is a flow-through grant in which the Auglaize County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**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 School 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. 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 School District Treasurer. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

**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 is legally enacted by the Board of Education at the function level of expenditures for the General Fund and the fund level of expenditures for all other funds, which is the legal level 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 School 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 legal of control.

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, one supplemental appropriation resolution was legally enacted.

The budget figures which appear on the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Auglaize County Educational Service Center, 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. 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 the proprietary fund type and nonexpendable trust funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(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 School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the Auglaize County Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

The School District's investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price. 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, 2002.

The School District allocates interest according to Board policy. Interest revenue credited to the General Fund during fiscal year 2002 was \$203,715, which included \$10,243 assigned from other School 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 an initial maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**E. Notes Receivable**

Notes receivable represent the right to receive repayment for student loans made by the School District. These notes are based upon written agreements between the School District and the students. Notes receivable is equally offset by a fund balance reserve account in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**F. Inventory**

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Assets**

Restricted assets in the General Fund represent unexpended grant revenues whose use is limited by legal requirements for the purchase of school buses.

**I. 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 fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of four thousand dollars for single items and twenty-five thousand dollars for land improvements, building improvements, and improvements other than buildings. The School 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, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. For governmental funds, depreciation does not represent a source or use of financial resources and is, therefore, not recorded within the 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 investment in general fixed assets. In proprietary funds, depreciation is an element in the determination of net income and is recorded annually as an expense.

The estimated useful lives assigned to the various classes of assets are:

	<u>Years</u>
Land Improvements	25
Buildings	30 - 75
Building Improvements	5 - 30
Improvements Other Than Buildings	15 - 30
Furniture, Fixtures, and Equipment	5 - 20
Vehicles	3 - 15



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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**J. 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.

**K. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School District has identified as probable 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

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 the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. 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. The 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 the proprietary funds are reported as liabilities in the fund.

**M. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds prior to fiscal year 2001 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, 2002  
(Continued)**

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

Capital contributions received subsequent to fiscal year 2001 are recorded as revenues and reported as increases to retained earnings.

**N. Fund Balance Reserves**

The School 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, notes receivable, bus purchase, advances, encumbrances, and endowments.

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 endowments signifies legal restrictions on the use of principal.

**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 2002, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$250 to \$4,000.

The fixed assets reported in the general fixed assets account group decreased \$3,953,683, from \$21,125,324 to \$17,171,641, and accumulated depreciation decreased by \$2,435,894, from \$6,814,144 to \$4,378,250.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

Fixed assets and accumulated depreciation in the Food Service enterprise fund decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$295,399, from \$570,547 to \$275,148, and accumulated depreciation decreased \$129,609, from \$234,026 to \$104,417. For the fiscal year 2002, the School District used the consumption method for reporting inventory. In prior years, the School District used the purchase method. The change due to the reporting method was \$10,316. As a result of these restatements, retained earnings as previously reported as of June 30, 2001, decreased \$155,474, from \$163,726 to \$8,252.

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The Title VI-B and Title I special revenue funds and Building capital projects fund had deficit fund balances at June 30, 2002, in the amount of \$748, \$4,823 and \$505,916, respectively. The deficits in the Title VI-B and Title I special revenue funds resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit in the Building capital projects fund resulted from the requirement to report bond anticipation notes in the fund which received the note proceeds. The deficit will be alleviated when sufficient revenues are received to pay the outstanding note.

The Food Service enterprise fund had deficit retained earnings at June 30, 2002, in the amount of \$87,296. The deficit resulted from accumulated operating losses. The School District has an open lunch policy and although rates have been increased, the increases have not been sufficient to cover expenses. The Board will continue to monitor the fund.

**B. Compliance**

Appropriations exceeded estimated resources by \$586 in the Ohio Reads special revenue fund.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School 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 Funds and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Proprietary Fund Type and Nonexpendable Trust Funds 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

3. 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 type and nonexpendable trust funds (GAAP basis).
4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The District does not budget for the grants that are held and administered by the Auglaize County Educational Service Center (budget basis); however, the grant activity is included as a special revenue fund for GAAP reporting.

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

<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds</b>					
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
GAAP Basis	\$(323,193)	\$99,563	\$183,681	\$(141,163)	\$(3,121)
Revenue Accruals					
2001	497,965	26,749	76,648	69,912	0
2002	(484,034)	(1,049)	(65,299)	(30,265)	0
Expenditure Accruals					
2001	(1,461,595)	(171,309)	0	(122,240)	0
2002	1,549,119	100,379	0	99,254	0
Change in Cash on Hand					
2001	692	154	1,139	991	662
2002	(2,440)	(3,528)	(1,041)	(489)	(511)
Change in Fair Value					
2001	(1,154)	0	0	0	0
2002	47,633	0	0	0	0
Notes Receivable Issued	0	0	0	0	(2,000)
Notes Receivable Repaid	0	0	0	0	982
Prepaid Items	26,307	0	0	0	0
Proceeds of Notes	0	0	500,000	0	0
Note Principal Retirement	0	0	(500,000)	0	0
Non budgeted Activity	0	(1,229)	0	0	0
Advances In	280,498	586	0	155,766	0
Advances Out	(156,352)	(102,538)	0	(177,960)	0
Encumbrances Outstanding	<u>(71,467)</u>	<u>(21,843)</u>	<u>0</u>	<u>(258,304)</u>	<u>0</u>
Budget Basis	<u>\$(98,021)</u>	<u>\$(74,065)</u>	<u>\$195,128</u>	<u>\$(404,498)</u>	<u>\$(3,988)</u>

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

<b>Net Loss /Excess of Revenues Under Expenses Enterprise Fund</b>	
GAAP Basis	(\$30,305)
Revenue Accruals	
2001	14,860
2002	(795)
Expense Accruals	
2001	(62,942)
2002	61,815
Cash on Hand	
2001	183
2002	(93)
Inventory Held for Resale	(1,249)
Materials and Supplies Inventory	(481)
Depreciation Expense	11,967
Encumbrances Outstanding	<u>(7,730)</u>
Budget Basis	<u>(\$14,770)</u>

**6. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. 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 School District had \$400 in undeposited cash on hand which is included on the combined balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents." The School District also had \$1,229 in cash and cash equivalents held by the Auglaize County Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

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*".

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

At fiscal year end, the carrying amount of the School District's deposits was \$33,494 and the bank balance was \$418,170. Of the bank balance, \$276,039 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 School District to a successful claim by the FDIC.

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

	<b>Category 2</b>	<b>Fair Value</b>
Federal Home Loan Mortgage Corporation Notes	\$751,995	\$751,995
Federal Home Loan Bank Corporation Bonds	774,143	774,143
Federal National Mortgage Association Notes	1,002,810	1,002,810
	\$2,528,948	2,528,948
STAR Ohio		2,050,676
Totals		\$4,579,624

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:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$4,614,747	\$0
Cash on Hand	(400)	0
Cash and Cash Equivalents with Educational Service Center	(1,229)	0
Investments:		
Federal Home Loan Mortgage Corporation Notes	(751,995)	751,995
Federal Home Loan Bank Bonds	(774,143)	774,143
Federal National Mortgage Association Notes	(1,002,810)	1,002,810
STAR Ohio	(2,050,676)	2,050,676
GASB Statement No. 3	\$33,494	\$4,579,624

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, 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 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. 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 School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2003 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, 2002, and for which there was an enforceable legal claim. 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 and is recognized as revenue at fiscal year end. The receivable is 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, 2002, was \$436,754 in the General Fund, \$65,299 in the Bond Retirement debt service fund, and \$30,265 in the Permanent Improvement capital projects fund. 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.



**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2002 taxes were collected are:

	<b>2001 Second- Half Collections</b>		<b>2002 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$167,299,330	78.40%	\$171,270,730	79.22%
Public Utility	10,443,190	4.90	7,944,280	3.68
Tangible Personal	35,645,360	16.70	36,968,114	17.10
Total Assessed Value	<u>\$213,387,880</u>	100.00%	<u>\$216,183,124</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$49.05		\$49.05	

**8. PAYMENT IN LIEU OF TAXES**

As provided by State law, the School District has entered into agreements with a number of property owners in which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School 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 2002 were \$15,595.

**9. RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, intergovernmental, accrued interest, and notes. 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 School District's policy on collecting student fees.

The Mooney Scholarship expendable trust 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 4 percent and the principal will be paid within three years.

A summary of the principal items of intergovernmental receivables follows:

	<u><b>Amounts</b></u>
Special Revenue Funds	
General Equivalency Diploma	\$126
Eisenhower	1,322
Title VI B	<u>1,440</u>
Total Intergovernmental Receivable	<u>\$2,888</u>

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**10. FIXED ASSETS**

A summary of the proprietary funds' fixed assets at June 30, 2002, follows:

Buildings	\$30,781
Furniture and Equipment	229,815
Total	260,596
Less Accumulated Depreciation	(101,832)
Net Fixed Assets	\$158,764

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at June 30, 2001	Additions	Deletions	Balance at June 30, 2002
Land and Improvements	\$842,886	\$0	\$0	\$842,886
Buildings and Improvements	13,250,066	63,799	0	13,313,865
Improvements Other Than Buildings	592,157	73,241	0	665,398
Furniture, Fixtures & Equipment	1,028,994	107,660	138,584	998,070
Vehicles	1,409,036	166,572	59,041	1,516,567
Construction in Progress	48,502	6,376	47,676	7,202
Total Fixed Assets	17,171,641	417,648	245,301	17,343,988
Less Accumulated Depreciation	(4,378,250)	(460,241)	(172,393)	(4,666,098)
Net Fixed Assets	\$12,793,391	(\$42,593)	\$72,908	\$12,677,890

**11. INTERFUND ACTIVITY**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund		Advances	
	Receivable	Payable	To Other Funds	From Other Funds
General Fund	\$158,165	\$0	\$2,222	\$0
Special Revenue Fund				
Ohio Reads	0	586	0	0
Capital Projects Fund				
Permanent Improvement	0	155,766	0	0
Agency Fund				
Student Activities	0	1,813	0	2,222
Total	\$158,165	\$158,165	\$2,222	\$2,222

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**12. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage:

Coverage with Nationwide Insurance:	
Building and Contents - Replacement Cost (\$1,000 deductible)	\$42,252,000
Boiler and Machinery - Limit per Accident (\$1,000 deductible)	19,945,300
EDP Coverage (\$250 deductible)	
Hardware	440,000
Software	56,000
Extra Expense	7,500
Musical Instruments	124,950
Photographic Equipment	48,775
Commercial Crime	15,000
Crime	
Inside Premises	3,000
Outside Premises	3,000
Automotive Liability	2,000,000
Medical Payments Per Person	10,000
Coverage with Great American Alliance Insurance:	
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Excess Liability - Per Occurrence and in Aggregate	5,000,000

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

For fiscal year 2002, the School District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (Plan) (Note 22), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School 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 Plan. 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 and Company provides administrative, cost control, and actuarial services to the Plan.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

The School District participates in the Mercer/Auglaize Employee Benefit Trust (Trust) (Note 22), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**13. CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Cardinal Bus Sales	72-Passenger School Bus	\$52,588
Cardinal Bus Sales	84-Passenger School Bus	54,888
Buehler Asphalt and Paving	Service Center Parking Lot	66,250
Lepi Enterprises	Asbestos Removal	46,450
Thermal Maintenance Co.	Reinsulation of Piles	46,175
Smith Boughan, Inc.	Filtration System/Ventilation	25,223

**14. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School 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 School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. 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 School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$768,313, \$733,831 and \$439,800, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$131,133, is recorded as a liability within the respective funds.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**B. School Employees Retirement System**

The School 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, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$99,241, \$73,946, and \$91,659, respectively; 43 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$57,016, is recorded as a liability within the respective funds and the general long-term obligations account group.

**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, 2002, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**15. POSTEMPLOYMENT BENEFITS**

The School 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 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$363,938.

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**15. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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 this fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$187,802 during the 2002 fiscal year.

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. Expense for health care for the fiscal year ended June 30, 2001 (the latest information available), was \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**16. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. All two hundred sixty day administrative personnel earn twenty days of vacation per contract period.

Accumulated unused vacation time is paid to the classified employees and 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 for all employees. 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 forty-eight days.

**B. Health Care Benefits**

The School District provides medical insurance benefits to all employees through the Mercer Auglaize Employee Benefit Trust. The Board of Education pays the cost of the monthly premiums. The premium varies with each employee depending on marital and family status. Vision care is provided through Vision Service Plan, Inc. Life insurance benefits are provided through CoreSource.

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**17. NOTES PAYABLE**

During fiscal year 2002, the School District issued \$500,000 in bond anticipation notes to retire previously issued bond anticipation notes that matured February 5, 2002. The notes have an interest rate of 2.58 percent and mature on February 5, 2003.

During fiscal year 2002, the School District retired \$500,000 in bond anticipation notes. The notes had an interest rate of 4.95 percent. Proceeds of these notes were used to construct additions to existing instructional buildings.

**18. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<b>Balance at 6/30/2001</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/2002</b>
<b>General Long-Term Obligations</b>				
Construction Bonds 3.65 - 5%	\$3,725,000	\$0	\$500,000	\$3,225,000
Library Construction Bonds 6.7%	999,900	0	64,900	935,000
Asbestos Removal Loans	530,652	0	45,376	485,276
Total Long-Term Obligations	5,255,552	0	610,276	4,645,276
Compensated Absences Payable	1,131,203	22,363	0	1,153,566
Intergovernmental Payable	113,432	115,667	113,432	115,667
Total General Long-Term Obligations	<u>\$6,500,187</u>	<u>\$138,030</u>	<u>\$723,708</u>	<u>\$5,914,509</u>

**Construction General Obligation Bonds** - On February 1, 1998, the School 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, with the proceeds of a 4.10 mill voted property tax levy.

**Library Construction General Obligation Bonds** - On June 1, 2000, the School 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, with the proceeds of a 0.60 voted property tax levy.

**Asbestos Removal Loans** - On October 21, 1994, the District obtained a loan in the amount of \$816,777 for providing asbestos removal under the authority of ORC section 3317.22. The loan was issued for a 20 year period with final maturity during fiscal year 2013. The debt is being retired from the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$15,976,947 with an unvoted debt margin of \$216,183 at June 30, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, were as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$665,376	\$196,100	\$861,476
2004	750,376	164,931	915,307
2005	785,376	130,705	916,081
2006	845,376	93,965	939,341
2007	845,377	54,015	899,392
2008-2012	721,883	69,513	791,396
2013	31,512	0	31,512
Total	<u>\$4,645,276</u>	<u>\$709,229</u>	<u>\$5,354,505</u>

**19. SET ASIDE REQUIREMENTS**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2001	(\$30,849)	\$0	\$48,471
Current Year Set Aside Requirement	313,320	313,320	0
Current Year Offsets	0	(398,750)	0
Qualifying Expenditures	(502,434)	0	(48,471)
Amount Carried Forward to Fiscal Year 2003	<u>(\$219,963)</u>	<u>\$(85,430)</u>	<u>\$0</u>
Set Aside Reserve Balance June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbook set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**20. SEGMENT INFORMATION**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the St. Marys City School District as of and for the fiscal year ended June 30, 2002.



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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**20. SEGMENT INFORMATION (Continued)**

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$381,321	\$85,455	\$466,776
Depreciation	11,967	0	11,967
Operating Income (Loss)	(267,393)	5,971	(261,422)
Federal Donated Commodities	64,325	0	64,325
Operating Grants	165,180	0	165,180
Net Income (Loss)	(36,276)	5,971	(30,305)
Fixed Asset Deletions	14,552	0	14,552
Net Working Capital	41,859	65,243	107,102
Total Assets	234,747	66,875	301,622
Total Equity	174,144	65,243	239,387
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	584	7,146	7,730

**21. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2002, the School District paid \$37,478 to the NOACSC for various services. 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 (Center) is a jointly governed organization among the school districts located in Allen, 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 that 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 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**21. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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. 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.

**22. INSURANCE POOLS**

**NOACSC Workers' Compensation Group Rating Plan** - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (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.

**Mercer/Auglaize Schools Employee Benefit Trust** - The School District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky 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; JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**23. 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 School District for operational subsidies. Although the School District does serve as the taxing authority and issued 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, 140 South Chestnut Street, St. Marys, Ohio 45855.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**24. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**25. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

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

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<b>Federal Grantor/ Pass-Through Grantor/ Program Titles</b>	<b>Federal CFDA Number</b>	<b>Project Number</b>	<b>Non-Cash Receipts</b>	<b>Receipts</b>	<b>Non-Cash Disbursements</b>	<b>Disbursements</b>
<b>U.S. Department of Education</b>						
<b>(Passed through the Ohio Department of Education)</b>						
Special Education Cluster:						
Special Education - Grants to States (IDEA, Part B)	84.027	044727-6BSF 2002 P		\$238,189		\$195,173
	84.027	044727-6BSF 2001 P		49,000		118,417
				<u>287,189</u>		<u>313,590</u>
Title I Grants to Local Educational Agencies	84.010	044727-C1S1-2002		121,984		112,088
	84.010	044727-C1S1-2001				24,234
				<u>121,984</u>		<u>136,322</u>
Innovative Education Programs Strategies	84.298	044727-C2S1-2002		14,399		12,219
	84.298	044727-C2S1 2001				1,254
				<u>14,399</u>		<u>13,473</u>
Adult Education - State Grant Program	84.002	044727-ABS1 2002		60,382		60,382
Safe and Drug-Free Schools and Communities - State Grant	84.186	044727-DRS1 2002		10,123		5,992
	84.186	044727-DRS1 2001				3,300
				<u>10,123</u>		<u>9,292</u>
Eisenhower Professional Development State Grants	84.281	044727-MSS1-2002		10,594		4,606
	84.281	044727-MSS1-2001		871		2,187
				<u>11,465</u>		<u>6,793</u>
Technology Literacy Challenge Grant	84.318	044727-TFVL-2000		8,986		8,986
	84.318	044727-TF5#-2001		200,000		195,593
				<u>208,986</u>		<u>204,579</u>
Class Size Reduction	84.340	044727-CRS1 2002		54,666		45,469
	84.340	044727-CRS1 2001				6,789
				<u>54,666</u>		<u>52,258</u>
School Renovation Grants	84.352	044727-ATS1-2002		5,865		5,865
<b>Total U.S. Department of Education</b>				<u>775,059</u>		<u>802,554</u>
<b>U.S. Department of Agriculture</b>						
<b>(Passed through the Ohio Department of Education)</b>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	60,637		50,591	
School Breakfast Program	10.553	044222-05PU		5,510		5,510
National School Lunch Program	10.555	044222-LL-P1 & P4		168,390		168,390
<b>Total U.S. Department of Agriculture-Nutrition Cluster</b>			<u>60,637</u>	<u>173,900</u>	<u>50,591</u>	<u>173,900</u>
<b>Total Federal Financial Assistance</b>			<u>\$60,637</u>	<u>\$948,959</u>	<u>\$50,591</u>	<u>\$976,454</u>

*See accompanying notes to the federal awards expenditures.*

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B- NUTRITION CLUSTER**

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 federal monies are expended first.

**NOTE C- FEDERAL AWARDS EXPENDITURES ADMINISTERED BY OTHER GOVERNMENTS**

St. Marys City School District also benefited 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.

<b>FEDERAL GRANTOR/ Pass-Through Grantor/ Program Titles</b>	<b>Federal CFDA Number</b>	<b>Project Number</b>	<b>Amount Expended on Behalf</b>
<b>United States Department of Health and Human Services</b> Passed through Ohio Department of Education Auglaize County Educational Service Center Preschool Handicapped Program	84.173	045930-PG-S1	23,617

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the St. Marys City School District (the District), Auglaize County, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 4, 2003, wherein we noted that the District changed its method of accounting for fixed assets and inventory. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 February 4, 2003.

**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 February 4, 2003.

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St. Marys City School District  
Auglaize County  
Independent Accountants' Report 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, Board of Education, and 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 4, 2003





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, Ohio 45885

To the Board of Education:

**Compliance**

We have audited the compliance of St. Marys City School District, (the District), Auglaize County, 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, 2002. 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, 2002.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of law, 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.

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**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 law, 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. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the district in a separate letter dated February 4, 2003.

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



**Betty Montgomery**  
Auditor of State

February 4, 2003

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FISCAL YEAR ENDED JUNE 30, 2002**

**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):	Special Education Grants to States – 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





**Auditor of State  
Betty Montgomery**

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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  
MARCH 4, 2003**