



Mary Taylor, CPA
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	11
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds.....	12
Statement of Receipts, Disbursements, and Change in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	13
Statement of Cash Basis Fiduciary Net Assets – Fiduciary Funds	14
Statement of Cash Basis Change in Fiduciary Net Assets – Private Purpose Trust Funds.....	15
Notes to the Basic Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures.....	37
Notes to the Schedule of Federal Awards Receipts and Expenditures	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	39
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	41
Schedule of Findings.....	43
Schedule of Prior Audit Findings.....	45
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	47

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 21, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of St. Marys City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Using the Basic Financial Statements

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

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

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 and fiscal year 2008:

Table 1 Governmental Activities Net Assets			
	2009	2008	Change
Assets:			
Cash and Cash Equivalents	\$49,761,691	\$37,360,957	\$12,400,734
Net Assets:			
Restricted	43,560,431	29,980,387	13,580,044
Unrestricted	6,201,260	7,380,570	(1,179,310)
Total Net Assets	\$49,761,691	\$37,360,957	\$12,400,734

Total net assets increased \$12,400,734. The increase in restricted net assets resulted from the School District receiving an additional \$18,205,355 in Ohio School Facilities Commission grants. The majority of these resources had not been disbursed as of fiscal year end. Unrestricted net assets decreased from operating disbursements being greater than operating receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2009 and fiscal year 2008.

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

	2009	2008	Changes
Receipts:			
Program Receipts:			
Charges for Services	\$ 1,379,942	\$ 1,425,838	(\$ 45,896)
Operating Grants, Contributions, and Interest	2,848,157	2,993,560	(145,403)
Capital Grants and Contributions	40,332	6,359	33,973
Total Program Receipts	<u>4,268,431</u>	<u>4,425,757</u>	<u>(157,326)</u>
General Receipts:			
Property Taxes Levied for General Purposes	6,188,817	6,757,188	(568,371)
Property Taxes Levied for Debt Service	1,555,397	859,863	695,534
Property Taxes Levied for Permanent Improvements	354,023	393,705	(39,682)
Payment in Lieu of Taxes		19,119	(19,119)
Grants and Entitlements	29,385,616	14,031,327	15,354,289
Interest	975,652	832,846	142,806
Notes Issued		25,750,000	(25,750,000)
Bonds Issued		25,749,998	(25,749,998)
Premium on Notes Issued		78,207	(78,207)
Premium on Bonds Issued		454,518	(454,518)
Miscellaneous	154,424	134,393	20,031
Total General Receipts	<u>38,613,929</u>	<u>75,061,164</u>	<u>(36,447,235)</u>
Total Receipts	<u>42,882,360</u>	<u>79,486,921</u>	<u>(36,604,561)</u>
Disbursements:			
Instruction:			
Regular	10,078,663	9,538,570	(540,093)
Special	2,470,989	2,274,439	(196,550)
Vocational	1,504,838	1,455,723	(49,115)
Adult/Continuing	58,589	55,665	(2,924)
Pupils	1,523,990	1,463,689	(60,301)
Instructional Staff	1,072,848	980,158	(92,690)
Board of Education	106,927	94,557	(12,370)
Administration	1,454,651	1,308,318	(146,333)
Fiscal	445,304	454,418	9,114
Business	237,622	255,197	17,575
Support Services:			
Operation and Maintenance of Plant	1,578,756	1,570,644	(8,112)
Pupil Transportation	822,710	674,078	(148,632)
Central	8,725	7,463	(1,262)
Non-instructional Services	837,865	800,770	(37,095)
Extracurricular Activities	617,137	584,449	(32,688)
Capital Outlay	5,945,642	1,885,129	(4,060,513)
Debt Service:			
Principal Retirement	490,376	25,905,377	25,415,001
Interest and Fiscal Charges	1,225,994	682,790	(543,204)
Issuance Costs		517,137	517,137
Total Disbursements	<u>30,481,626</u>	<u>50,508,571</u>	<u>20,026,945</u>
Increase in Net Assets	12,400,734	28,978,350	(16,577,616)
Net Assets at Beginning of Year	37,360,957	8,382,607	28,978,350
Net Assets at End of Year	<u>\$49,761,691</u>	<u>\$37,360,957</u>	<u>\$12,400,734</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The most significant receipt during fiscal year 2009 was additional Ohio School Facilities Commission grants. Property tax receipts for general purposes and permanent improvements decreased due to the State eliminating tangible personal property taxes. The most significant receipts during fiscal year 2008 were from the issuance of the bond anticipation notes and general obligation bonds, in the amount of \$25,750,000 and \$25,749,998, respectively. Additional receipts, in the amount of \$532,725, resulted from premiums on the debt issued.

Program receipts represented 10 percent of total receipts for fiscal year 2009 and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, and extracurricular activities, and food service sales. Program receipts remained fairly comparable to the prior fiscal year.

The majority of general receipts are unrestricted grants and entitlements, which primarily represents State foundation resources and the Ohio School Facilities Commission Grant. Property taxes basically make up the balance of the School District's general receipts.

The instruction program disbursements accounted for 46 percent of all disbursements. Instruction program costs, along with support service costs, increased from an increase of approximately 5 percent in personnel related costs and inflationary increases in supplies and purchased services. Additional instruction program costs were incurred from open enrollment, community school enrollment, and excess costs due to the Auglaize County Educational Service Center. Transportation costs increased in fiscal year 2009 from the purchase of two buses. In fiscal year 2009, capital outlay increased significantly from the continued construction of new instructional buildings.

During fiscal year 2008, a significant portion of total disbursements consisted of the repayment of the bond anticipation notes, in the amount of \$25,750,000.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$10,078,663	\$ 9,538,570	\$ 9,599,276	\$ 8,994,391
Special	2,470,989	2,274,439	599,722	249,444
Vocational	1,504,838	1,455,723	913,164	865,396
Adult/Continuing	58,589	55,665	(56,064)	(52,028)
Support Services:				
Pupils	1,523,990	1,463,689	1,517,317	1,455,339
Instructional Staff	1,072,848	980,158	1,072,848	980,158
Board of Education	106,927	94,557	106,927	94,557
Administration	1,454,651	1,308,318	1,454,651	1,308,318
Fiscal	445,304	454,418	445,304	454,418
Business	237,622	255,197	161,163	173,032
Operation and Maintenance of Plant	1,578,756	1,570,644	1,535,177	1,527,065
Pupil Transportation	822,710	674,078	729,381	621,940
Central	8,725	7,463	8,725	7,463

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

**Table 3
Governmental Activities
(Continued)**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Non-instructional Services	837,865	800,770	11,396	(14,599)
Extracurricular Activities	617,137	584,449	452,196	427,487
Capital Outlay	5,945,642	1,885,129	5,945,642	1,885,129
Debt Service:				
Principal Retirement	490,376	25,905,377	490,376	25,905,377
Interest and Fiscal Charges	1,225,994	682,790	1,225,994	628,790
Issuance Costs		517,137		517,137
Total Disbursements	\$30,481,626	\$50,508,571	\$26,213,195	\$46,082,814

Cost of services were financed through user charges and grants awarded for specific programs, in the amount of \$4,268,431, or 14 percent, for fiscal year 2009. The most significant activity in fiscal year 2009 was the continued capital outlay costs for the construction of the new instructional buildings which is funded with general revenues. The net cost of services for special instruction increased from the decrease in grants for the IDEA B and Title I programs.

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

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund reported a negative change in fund balance in fiscal year 2009. Receipts in the General Fund decreased by 2 percent from fiscal year 2008. The most significant decreases in receipts were property tax receipts from the phase-out of the collection of tangible personal property taxes, interest receipts from the reduction in interest rates, and charges for services from a reduction in students. Disbursements increased by 7 percent primarily from negotiated increases in salaries, cost of fuel for buses, and the purchase of buses. Because there was a decrease in receipts and an increase in disbursements, fund balance decreased.

The Building Fund change in fund balance for the fiscal year was not significant.

The School District received \$18,205,355 in grants from the Ohio School Facilities Commission to fund the School District's portion of the school construction project. The majority of these receipts was not spent during fiscal year 2009 and is reflected in the increase in fund balance in the Ohio School Facilities Commission Fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Budgeting Highlights

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

During fiscal year 2009, the School District amended its General Fund budget as needed. The School District did not amend the original budgeted receipts in fiscal year 2009. The variances from final budgeted receipts to actual receipts were not significant.

Changes for the original to final budget for disbursements as well as from the final budget to actual disbursements were not significant.

Debt Administration

At June 30, 2009, the School District's outstanding debt included general obligation bonds for construction of additions to the library and the construction of new school facilities, and for asbestos removal loans, in the amount of \$25,689,998 and \$167,642, respectively. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

Current Issues

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

All of the major work has been bid and awarded for the project. The majority of the awarded contracts were accepted at a cost under the project estimated cost. A site amenities bid package was recently opened with an award pending. For the project, the School District has not bid or awarded the technology, loose furnishings, and demolition packages.

The School District recently engaged the firm of Poggemeyer Design Group to investigate the feasibility of and the cost associated with the construction of a pedestrian/bicycle bridge to the new grades 6 through 12 building. The study is pending but indications are that costs for construction could approach \$2 million.

Faced with the current economic conditions, the School District has taken steps to contain costs including a self-imposed administrative pay freeze for fiscal year 2010, a reduction in building budgets, a reduction in summer student help, and various other items.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Thomas Sommer, Treasurer, St. Marys City School District, 101 West South Street, St. Marys, Ohio 45885.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$49,761,691</u>
Total Assets	<u>49,761,691</u>
Net Assets	
Restricted for:	
Debt Service	438,649
Capital Projects	42,589,061
Food Service	198,719
Setasides	14,931
Other Purposes	319,071
Unrestricted	<u>6,201,260</u>
Total Net Assets	<u><u>\$49,761,691</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Disbursements</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipt and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$10,078,663	\$324,168	\$153,597	\$1,622	(\$9,599,276)
Special	2,470,989		1,871,267		(599,722)
Vocational	1,504,838	367,023	224,151	500	(913,164)
Adult/Continuing	58,589		114,653		56,064
Support Services:					
Pupils	1,523,990		6,673		(1,517,317)
Instructional Staff	1,072,848				(1,072,848)
Board of Education	106,927				(106,927)
Administration	1,454,651				(1,454,651)
Fiscal	445,304				(445,304)
Business	237,622	76,459			(161,163)
Operation and Maintenance of Plant	1,578,756		43,579		(1,535,177)
Pupil Transportation	822,710		55,119	38,210	(729,381)
Central	8,725				(8,725)
Non-instructional Services	837,865	447,351	379,118		(11,396)
Extracurricular Activities	617,137	164,941			(452,196)
Capital Outlay	5,945,642				(5,945,642)
Debt Service:					
Principal Retirement	490,376				(490,376)
Interest and Fiscal Charges	1,225,994				(1,225,994)
Total Governmental Activities	<u>\$30,481,626</u>	<u>\$1,379,942</u>	<u>\$2,848,157</u>	<u>\$40,332</u>	<u>(26,213,195)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					6,188,817
Debt Service					1,555,397
Permanent Improvements					354,023
Grants and Entitlements Not Restricted to Specific Programs					29,385,616
Interest					975,652
Miscellaneous					154,424
Total General Receipts					<u>38,613,929</u>
Change in Net Assets					12,400,734
Net Assets at Beginning of Year					<u>37,360,957</u>
Net Assets at End of Year					<u>\$49,761,691</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$6,201,260	\$7,124,348	\$34,617,748	\$1,790,148	\$49,733,504
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	<u>28,187</u>				<u>28,187</u>
Total Assets	<u>6,229,447</u>	<u>7,124,348</u>	<u>34,617,748</u>	<u>1,790,148</u>	<u>49,761,691</u>
Fund Balances					
Reserved for Textbooks	14,931				14,931
Reserved for Bus Purchases	13,256				13,256
Reserved for Encumbrances	580,892	3,139,075	30,897,839	377,608	34,995,414
Unreserved, Reported in:					
General Fund	5,620,368				5,620,368
Special Revenue Funds				483,510	483,510
Debt Service Fund				438,649	438,649
Capital Projects Funds		<u>3,985,273</u>	<u>3,719,909</u>	<u>490,381</u>	<u>8,195,563</u>
Total Fund Balances	<u>\$6,229,447</u>	<u>\$7,124,348</u>	<u>\$34,617,748</u>	<u>\$1,790,148</u>	<u>\$49,761,691</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts					
Property Taxes	\$6,188,817			\$1,909,420	\$8,098,237
Intergovernmental	12,315,666		\$18,205,355	1,698,639	32,219,660
Interest	119,955	\$204,607	633,611	20,720	978,893
Tuition and Fees	691,191				691,191
Charges for Services				447,351	447,351
Extracurricular Activities				164,941	164,941
Gifts and Donations	1,200		1,622	9,317	12,139
Miscellaneous	193,130			76,818	269,948
Total Receipts	<u>19,509,959</u>	<u>204,607</u>	<u>18,840,588</u>	<u>4,327,206</u>	<u>42,882,360</u>
Disbursements					
Current:					
Instruction:					
Regular	9,904,251			174,412	10,078,663
Special	1,789,161			681,828	2,470,989
Vocational	1,504,838				1,504,838
Adult/Continuing				58,589	58,589
Support Services:					
Pupils	1,466,525			57,465	1,523,990
Instructional Staff	1,003,577			69,271	1,072,848
Board of Education	106,927				106,927
Administration	1,450,078			4,573	1,454,651
Fiscal	403,428			41,876	445,304
Business	237,622				237,622
Operation and Maintenance of Plant	1,529,600			49,156	1,578,756
Pupil Transportation	751,266			71,444	822,710
Central	8,725				8,725
Noninstructional Services				837,865	837,865
Extracurricular Activities	449,333			167,804	617,137
Capital Outlay	10,375	246,974	5,681,151	7,142	5,945,642
Debt Service:					
Principal Retirement				490,376	490,376
Interest and Fiscal Charges				1,225,994	1,225,994
Total Disbursements	<u>20,615,706</u>	<u>246,974</u>	<u>5,681,151</u>	<u>3,937,795</u>	<u>30,481,626</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,105,747)</u>	<u>(42,367)</u>	<u>13,159,437</u>	<u>389,411</u>	<u>12,400,734</u>
Other Financing Sources (Uses)					
Transfers In				45,376	45,376
Transfers Out	(45,376)				(45,376)
Total Other Financing Sources (Uses)	<u>(45,376)</u>			<u>45,376</u>	
Changes in Fund Balances	(1,151,123)	(42,367)	13,159,437	434,787	12,400,734
Fund Balances at Beginning of Year	<u>7,380,570</u>	<u>7,166,715</u>	<u>21,458,311</u>	<u>1,355,361</u>	<u>37,360,957</u>
Fund Balances at End of Year	<u>\$6,229,447</u>	<u>\$7,124,348</u>	<u>\$34,617,748</u>	<u>\$1,790,148</u>	<u>\$49,761,691</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Receipts				
Property Taxes	\$6,940,530	\$6,940,530	\$6,188,817	(\$751,713)
Intergovernmental	11,538,534	11,538,534	12,315,666	777,132
Interest	465,285	465,285	119,955	(345,330)
Tuition and Fees	705,000	705,000	691,191	(13,809)
Gifts and Donations	10,000	10,000	1,200	(8,800)
Miscellaneous	232,100	232,100	193,130	(38,970)
Total Receipts	19,891,449	19,891,449	19,509,959	(381,490)
Disbursements				
Current:				
Instruction:				
Regular	9,331,384	9,667,146	10,019,629	(352,483)
Special	1,570,147	2,030,875	1,914,139	116,736
Vocational	1,475,304	1,564,236	1,511,101	53,135
Other	43,850	100,000	44,712	55,288
Support Services:				
Pupils	1,374,278	1,535,869	1,505,612	30,257
Instructional Staff	991,676	1,045,344	1,006,534	38,810
Board of Education	173,430	180,620	115,847	64,773
Administration	1,407,262	1,530,042	1,476,479	53,563
Fiscal	461,567	445,425	420,944	24,481
Business	279,369	279,310	238,105	41,205
Operation and Maintenance of Plant	1,593,644	1,670,900	1,692,949	(22,049)
Pupil Transportation	694,182	776,709	772,798	3,911
Central	12,912	13,710	9,726	3,984
Extracurricular Activities	485,507	485,950	457,648	28,302
Capital Outlay	329,500	22,000	10,375	11,625
Total Disbursements	20,224,012	21,348,136	21,196,598	151,538
Excess of Receipts Under Disbursements	(332,563)	(1,456,687)	(1,686,639)	(229,952)
Other Financing Sources (Uses)				
Advances In	10,000	10,000		(10,000)
Advances Out	(5,000)	(5,000)		5,000
Transfers Out	(175,376)	(45,376)	(45,376)	
Total Other Financing Sources (Uses)	(170,376)	(40,376)	(45,376)	(5,000)
Changes in Fund Balance	(502,939)	(1,497,063)	(1,732,015)	(234,952)
Fund Balance at Beginning of Year	7,199,855	7,199,855	7,199,855	
Prior Year Encumbrances Appropriated	180,715	180,715	180,715	
Fund Balance at End of Year	\$6,877,631	\$5,883,507	\$5,648,555	(\$234,952)

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$150,264	\$80,306
Cash and Cash Equivalents in Segregated Accounts		4,360
Total Assets	150,264	84,666
Net Assets:		
Endowments	129,580	
Held in Trust for Scholarships	20,684	
Held for Student Activities		77,107
Undistributed Assets		7,559
Total Net Assets	\$150,264	\$84,666

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Receipts	
Interest	\$1,925
Miscellaneous	<u>3,422</u>
Total Receipts	<u>5,347</u>
 Disbursements	
Non-instructional Services	<u>4,000</u>
 Change in Net Assets	 1,347
 Net Assets at Beginning of Year	 <u>148,917</u>
 Net Assets at End of Year	 <u><u>\$150,264</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately eighty-one square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships. The School District is the 218th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by seventy-six classified employees, one hundred sixty-eight certified teaching personnel, and seventeen administrative employees who provide services to 2,140 students and other community members. The School District currently operates four school buildings and a 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. There are no component units of the St. Marys City School District.

The following activities are included within the reporting entity:

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

The School District participates in 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, Auglaize County Educational Academy, Auglaize County Special Needs School, Southwestern Ohio Educational Purchasing Council Insurance Program, Mercer Auglaize School Employee Benefit Trust, and the St. Marys Community Public Library. These organizations are presented in Notes 15, 16, and 17 to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

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

Ohio School Facilities Fund - The Ohio School Facilities capital projects fund is used to account for the construction and renovation of the School District's buildings. The project is being funded with local taxes and a grant from the Ohio School Facilities Commission.

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

2. Fiduciary Funds

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2009, the School District's investments included nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 was \$119,955, which included \$4,169 assigned from other School District funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Restricted Assets

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

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There were no net assets restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for adult education programs, music and athletic programs, vocational programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for textbooks, bus purchases, and encumbrances.

L. Interfund Activity

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

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

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

3. COMPLIANCE

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

For the fiscal year ended June 30, 2009, the following functions within the General Fund had expenditures plus encumbrances in excess of appropriations at the legal level of budgetary control as follows:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
General Fund			
Regular Instruction	\$9,667,146	\$10,019,629	\$352,483
Operation and Maintenance of Plant	1,670,900	1,692,949	22,049

The School District will monitor the activity of their funds more closely towards fiscal year end to stay within amounts appropriated.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,751,039 of the School District's bank balance of \$23,023,797 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

B. Investments:

As of June 30, 2009, the School District had the following investments.

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>
Federal Home Loan Bank Notes	\$ 4,201,164	\$ 1,080,766	\$3,120,398
Federal Home Loan Bank Bonds	3,829,124	254,591	3,574,533
Federal Home Loan Mortgage Corporation Notes	2,423,240	1,198,028	1,225,212
Federal National Mortgage Association Notes	1,065,032	866,351	198,681
STAR Ohio	15,510,811	15,510,811	
Mutual Funds	208,697	208,697	
Total	<u>\$27,238,068</u>	<u>\$19,119,244</u>	<u>\$8,118,824</u>

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

The Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, and the Federal National Mortgage Association Notes carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. The mutual funds carry a rating of Aaa by Moodys. Ohio law requires that mutual funds must consist of obligations listed in items 1 and 2 on page 25 and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Carrying Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	\$8,030,288	29.48%
Federal Home Loan Mortgage Corporation	2,423,240	8.90
Federal National Mortgage Association	1,065,032	3.91

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$221,725,780	94.09%	\$235,691,730	98.05%
Public Utility	4,577,090	1.94	4,697,020	1.95
Tangible Personal	9,358,030	3.97		
Total Assessed Value	<u>\$235,660,900</u>	<u>100.00%</u>	<u>\$240,388,750</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$58.45		\$58.45	

6. 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 2009, the School District contracted with the Southwestern Ohio Educational Purchasing Council Insurance Program for the following insurance coverage.

Coverage provided by Selective Insurance Company is as follows:

General Liability	
Per Occurrence	\$ 1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building	62,131,001
Contents	7,757,954

Coverage provided by AIG is as follows:

Excess Liability	5,000,000
------------------	-----------

Coverage provided by Federal Insurance Company is as follows:

Boiler and Machinery	100,000,000
Builders Risk	47,863,927

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

The School District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC), a public entity shared risk pool consisting of thirty-two school districts. The School District pays an annual premium to SOEPC for property and liability insurance coverage. The Executive Committee of SOEPC is responsible for its management and operation. The annual premium provides funding for the Aggregate Loss Fund, excess coverage, claims administration, and membership to SOEPC. The School District's risk within SOEPC is limited to any deductibles and the portion of the premium paid and held within the Aggregate Loss Fund. All annual claims above the amount held within the Aggregate Loss Fund will be paid by the excess liability policy.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

6. RISK MANAGEMENT (Continued)

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

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administration costs.

7. CONTRACTUAL OBLIGATIONS

As of June 30, 2009, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Buschur Electric, Inc.	Electrical Elementary Schools	\$ 880,209
Cincinnati Floor Company	Floor Work	341,816
City of St. Marys	Shipman Road Improvements	350,000
Fanning/Howey Associates, Inc.	Architectural Services	1,537,179
Farnham Equipment Company	Casework	1,175,000
Ferguson Construction Company	General Trades Junior High and High School	11,669,366
Gilbane Building Company	Construction Manager	1,577,943
Humble Construction Company, Inc.	General Trades Elementary Schools	2,224,496
Lawhon and Associates, Inc.	Maintenance Plan Advisor	35,565
Legacy Commercial Flooring	Floor Work	896,589
M & W Drilling, Inc.	Geothermal Well Field	1,050,700
Ohio and Indiana Roofing Company	Roofing	1,240,992
Ohio Plumbing and Electrical, Inc.	Plumbing	1,517,220
Ohio Technical Services, Inc.	Abatement Services	47,531
PSI	Construction Phase Materials	90,537
RD Jones Excavating, Inc.	Site Work	213,592
Regal Plumbing and Heating Company	HVAC Junior High and High School	3,488,119
Rizzi Distributors	Food Service Equipment	519,890
Slagle Mechanical Contractors	HVAC Elementary Schools	1,033,679
Smith Boughan, Inc.	Hot Water Piping	74,300
Sollman Electric Company	Electrical Junior High and High School	2,531,391
Stan and Associates, Inc.	Commission Service	96,450
Stonecreek Interior System LLC	Casework Elementary	374,711
Vulcan Enterprises, Inc.	Fire Protection	585,670
Wadsworth and Associates, Inc.	Temperature Control System	614,000
William Scotsman, Inc.	Temporary Modular Classrooms	148,981

During the July 22, 2009 special meeting, the Board of Education approved the following change orders:

- | | | |
|---------------------------------|-------------------------|---------------------------|
| • Ferguson Construction | general trades contract | \$51,443 add change order |
| • Buschur Electric | electric contract | \$15,492 add change order |
| • Slagle Mechanical Contractors | HVAC contract | \$46,588 add change order |
| • Humble Construction | general trades contract | \$32,629 add change order |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$1,372,930, \$1,324,733, and \$1,277,239 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions for the DCP and CP for the fiscal year ended June 30, 2009, were \$917 made by the School District and \$13,869 made by plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$194,790, \$195,579, and \$202,900, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$105,610, \$102,225, and \$98,363 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program.

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was \$42,858.

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

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$89,145, \$89,249, and \$67,363 respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$16,072, \$14,092, and \$13,797 respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. All two hundred sixty day administrative personnel earn twenty days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and two hundred sixty day administrative personnel upon termination of employment. Teachers do not earn vacation time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

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

B. Health Care Benefits

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

C. Retirement Incentive

Through June 30, 2009, bus drivers with ten or more years of service with the School District who retire after May 31 in the year of initial eligibility will be paid an additional \$1,250 severance payment.

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2000 Library Construction 6.7%	\$385,000		\$120,000	\$ 265,000	\$125,000
2007 School Improvement Bonds					
Serial Bonds 3.25-5%	15,260,000		325,000	14,935,000	370,000
Term Bonds 5%	10,265,000			10,265,000	
Capital Appreciation Bonds 16.227%	224,998			224,998	
Capital Appreciation Accretion	10,275	\$29,725		40,000	
Total 2007 School Improvement Bonds	<u>25,760,273</u>	<u>29,725</u>	<u>325,000</u>	<u>25,464,998</u>	<u>370,000</u>
Total General Obligation Bonds	26,145,273	29,725	445,000	25,729,998	495,000
Asbestos Removal Loan 0%	213,018		45,376	167,642	45,377
Total Governmental Activities Long-Term Obligations	<u>\$26,358,291</u>	<u>\$29,725</u>	<u>\$490,376</u>	<u>\$25,897,640</u>	<u>\$540,377</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

2007 School Improvement General Obligation Bonds - On March 19, 2008, the School District issued \$25,749,998 in voted general obligation bonds to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$15,260,000, \$10,265,000, and \$224,998, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2036. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 6.9 mill voted property tax levy.

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

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

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

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount of the bonds is \$640,000. For fiscal year 2009, \$29,725 was accreted for a total bond value of \$264,998.

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

The School District's overall debt margin was (\$4,034,713) with an unvoted debt margin of \$235,740 at June 30, 2009. On August 14, 2007, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2010	\$ 495,000	\$ 693,242		\$ 513,250
2011	540,000	671,353		513,250
2012	430,000	652,137		513,250
2013	560,000	634,813		513,250
2014	600,000	611,888		513,250
2015-2019	2,810,000	2,762,412		2,566,250
2020-2024	4,305,000	1,892,863		2,566,250
2025-2029	5,460,000	708,381		2,566,250
2030-2034			\$ 6,965,000	1,729,375
2035-2036			3,300,000	167,000
Totals	<u>\$15,200,000</u>	<u>\$8,627,089</u>	<u>\$10,265,000</u>	<u>\$12,161,375</u>

Fiscal Year Ending	General Obligation Bonds Capital Appreciation		Asbestos Removal Loan
	Principal	Interest	Principal
	2010		
2011			45,377
2012			45,377
2013			31,511
2014			
2015-2017	\$224,998	\$415,002	
Totals	<u>\$224,998</u>	<u>\$415,002</u>	<u>\$167,642</u>

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

12. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	Textbooks	Capital Improvements
Balance June 30, 2008	(\$27,913)	(\$25,383,038)
Current Year Set Aside Requirement	377,193	377,193
Qualifying Expenditures	(334,349)	
Current Year Offsets		(377,193)
Balance June 30, 2009	<u>\$14,931</u>	<u>(\$25,383,038)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. INTERFUND TRANSFERS

During fiscal year 2009, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$45,376, to pay principal on the asbestos removal loan.

14. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$129,580, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$20,684 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2009, the School District paid \$26,583 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum.

The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

C. Auglaize County Special Needs School

The School District is a participant in the Auglaize County Special Needs School (ACSNS), which is a community school. The ACSNS is an association of the school districts within Auglaize County to provide a special education program for kindergarten through twelfth grade students with multiple handicapped, emotionally disturbed, or autistic needs.

The governing board of the ACSNS consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

16. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Council Insurance Program

The School District participates in a public entity shared risk pool consisting of thirty-two school districts. The Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC) provides for property and liability insurance coverage. SOEPC's business and affairs are conducted by an Executive Council of seven participating school administrators. Participation in SOEPC is by written application subject to acceptance by the Executive Council and the payment of the annual premium. The Administrator of SOEPC is Public Entity Marsh which coordinates the management, administration, claims management, and actuarial studies of SOEPC. Insurance premiums are paid to SOEPC. Financial information can be obtained from Public Entity Marsh, 525 Vine Street, Cincinnati, Ohio 45202.

B. Mercer Auglaize School Employee Benefit Trust

The School District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize School Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

17. RELATED ORGANIZATION

The St. Marys Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the St. Marys City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Marys Community Public Library, 140 South Cleveland Street, St. Marys, Ohio 45855.

18. 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, 2009.

B. Litigation

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

This page intentionally left blank.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Child Nutrition Cluster:						
School Breakfast Program	2008/2009	10.553	\$33,394		\$33,394	
Non cash Assistance (Food Distribution)						
National School Lunch Program				\$132,877		\$132,877
National School Lunch Program	2008/2009	10.555	250,309		250,309	
Total Nutrition Cluster			<u>283,703</u>	<u>132,877</u>	<u>283,703</u>	<u>132,877</u>
Total U.S. Department of Agriculture			<u>283,703</u>	<u>132,877</u>	<u>283,703</u>	<u>132,877</u>
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Adult Education State Grant Program	2008	84.002	5,474		5,414	
	2009		95,478		93,527	
Total Adult Education State Grant Program			<u>100,952</u>		<u>98,941</u>	
Title 1 Grants to Local Educational Agencies	2008	84.010	(13,482)		19,207	
	2009		247,613		246,988	
Total Title 1 Grants to Local Educational Agencies			<u>234,131</u>		<u>266,195</u>	
Education Technology State Grants	2008	84.318	(106)			
	2009		3,784		3,683	
Total Education Technology State Grants			<u>3,678</u>		<u>3,683</u>	
Special Education Grants to States	2008	84.027			43,021	
	2009		426,270		423,037	
Total Special Education Grants to States			<u>426,270</u>		<u>466,058</u>	
State Grants for Innovative Programs	2008	84.298	1,939			
	2009		2,027		2,027	
Total State Grants for Innovative Programs			<u>3,966</u>		<u>2,027</u>	
Safe and Drug Free Schools and Communities Grants	2008	84.186	6,365		6,146	
Improving Teacher Quality State Grants	2008	84.367	6,414		15,799	
	2009		75,812		73,012	
Total Improving Teacher Quality State Grants			<u>82,226</u>		<u>88,811</u>	
Total U.S. Department of Education			<u>857,588</u>		<u>931,861</u>	
Total Federal Assistance			<u>\$1,141,291</u>	<u>\$132,877</u>	<u>\$1,215,564</u>	<u>\$132,877</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE E - TRANSFER OF FUNDS BETWEEN SPECIAL COST CENTERS

The following transfers between fund cost centers were approved by the Ohio Department of Education.

Grant, CFDA #, Fund, and Cost Center	Transfer Out	Transfer In
Adult State Grant Program #84.002		
501-9607	(\$4,859)	
501-9809		\$4,859
State Grants for Innovative Programs #84.298		
573-9708	(210)	
573-9809		210
Grants to Local Educational Agencies #84.010		
572-9708	(13,482)	
572-9809		13,482
Improving Teacher Quality #84.367		
590-9708	(88)	
590-9809		88
Education Technology Grants #84.318		
599-9708	(106)	
599-9809		106

NOTE F - PASS THROUGH FUNDS

Idea Preschool Grant For The Handicapped – CFDA# 84.173 – During fiscal year 2009, the School District received Preschool grant funding administered on their behalf by the Auglaize County Educational Service Center. For fiscal year 2009, the District's allocation was \$24,266.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Marys City School District, Mercer County, (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 21, 2009, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School District's management in a separate letter dated September 21, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule as item 2009-001.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated September 21, 2009.

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

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



Mary Taylor, CPA
Auditor of State

September 21, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND ON 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 the St. Marys City School District, Auglaize County, (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

September 21, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 10.553 &10.555: Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER - 2009-001

Noncompliance - Financial Reporting

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

Ohio Adm. Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District's annual financial statements should be prepared in accordance with generally accepted accounting principles to include assets, liabilities and the disclosures required to accurately present the School District's financial condition.

Official's Response

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

3. FINDINGS FOR FEDERAL AWARDS

None

ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) –financial statements were not prepared in accordance with generally accepted accounting principles.	No	Repeated as Finding Number 2009-001

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 14, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

September 21, 2009



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 5, 2009**