



Dave Yost • Auditor of State



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of St. Marys  
Auglaize County  
101 East Spring Street  
St. Marys, Ohio 45885

To the City Mayor and Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of St. Marys, Auglaize County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of the Government'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.

City of St. Marys  
Auglaize County  
Independent Accountants' Report

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

October 24, 2011

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

The management's discussion and analysis of the City of St. Marys (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- The City restated net assets for business-type activities at December 31, 2009 as described in Note 3.B to the basic financial statements. The total net assets of the City increased \$903,449. Net assets of governmental activities increased \$205,069 or 0.61% from 2009 and net assets of business-type activities increased \$698,380 or 2.52% from 2009.
- General revenues accounted for \$6,400,246 or 80.71% of total governmental activities revenue. Program specific revenues accounted for \$1,529,680 or 19.29% of total governmental activities revenue.
- The City had \$6,892,467 in expenses related to governmental activities; \$1,529,680 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,362,787 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,400,246.
- The general fund had revenues of \$4,819,962 in 2010. This represents an increase of \$313,003 from 2009 revenues. The expenditures and other financing uses of the general fund, which totaled \$4,952,291 in 2010, increased \$293,560 from 2009. The net decrease in fund balance for the general fund was \$125,325 or 2.77%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, Electric and Refuse enterprise funds, increased in 2010 by \$698,380. This increase in net assets was due primarily to transfers of \$832,390 from the general fund to the Electric fund.
- In the general fund, the actual revenues came in \$1,019,538 higher than they were in the final budget and actual expenditures and other financing uses were \$1,055,188 less than the amount in the final budget. The variance in the expenditures and other financing uses is the result of the City's conservative budgeting. Budgeted revenues did not change from the original to the final budget. Budgeted expenditures and other financing uses increased \$127,924 from the original to the final budget primarily due to an increase in anticipated transfers out to other funds that were not calculated in the original budget.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next 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 City's most significant funds with all other non-major funds presented in total in one column.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

**Reporting the City as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

**Governmental Activities** - Most of the City's programs and services are reported here including police, fire, street and highway maintenance, capital improvements, community and economic development and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**Business-type Activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric and refuse operations are reported here.

**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's only major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23 - 27 of this report.

***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 28 - 33 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 34 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35 - 67 of this report.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2010 and December 31, 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

	<b>Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>(Restated) 2009</b>	<b>2010</b>	<b>(Restated) 2009</b>
<b>Assets:</b>						
Current and other assets	\$15,335,184	\$15,373,391	\$16,431,730	\$16,023,491	\$31,766,914	\$31,396,882
Capital assets, net	19,508,355	19,242,024	29,294,034	29,723,734	48,802,389	48,965,758
Total assets	<u>34,843,539</u>	<u>34,615,415</u>	<u>45,725,764</u>	<u>45,747,225</u>	<u>80,569,303</u>	<u>80,362,640</u>
<b>Liabilities:</b>						
Other liabilities	773,375	861,854	1,619,447	1,697,027	2,392,822	2,558,881
Long-term liabilities	503,482	391,948	15,660,945	16,303,206	16,164,427	16,695,154
Total liabilities	<u>1,276,857</u>	<u>1,253,802</u>	<u>17,280,392</u>	<u>18,000,233</u>	<u>18,557,249</u>	<u>19,254,035</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	19,408,355	19,202,024	17,114,154	17,013,676	36,522,509	36,215,700
Restricted	9,604,782	9,552,981			9,604,782	9,552,981
Unrestricted	4,553,545	4,606,608	11,331,218	10,733,316	15,884,763	15,339,924
Total net assets	<u>\$33,566,682</u>	<u>\$33,361,613</u>	<u>\$28,445,372</u>	<u>\$27,746,992</u>	<u>\$62,012,054</u>	<u>\$61,108,605</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$62,012,054. At year-end, net assets were \$33,566,682 and \$28,445,372 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 60.57% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$19,408,355 and \$17,114,154 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$9,604,782 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$4,553,545 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for 2010 and 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	(Restated) 2009	2010	(Restated) 2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services and sales	\$ 704,554	\$ 592,388	\$19,591,257	\$18,903,377	\$20,295,811	\$19,495,765
Operating grants and contributions	384,057	342,529			384,057	342,529
Capital grants and contributions	441,069	149,280			441,069	149,280
Total program revenues	<u>1,529,680</u>	<u>1,084,197</u>	<u>19,591,257</u>	<u>18,903,377</u>	<u>21,120,937</u>	<u>19,987,574</u>
<b>General revenues:</b>						
Property taxes	1,209,860	1,197,697			1,209,860	1,197,697
Income taxes	4,031,781	3,290,232			4,031,781	3,290,232
Unrestricted grants	862,592	659,855	5,695	5,406	868,287	665,261
Interest	84,483	204,115	38,027	49,180	122,510	253,295
Miscellaneous	211,530	229,979	413,339	390,810	624,869	620,789
Total general revenues	<u>6,400,246</u>	<u>5,581,878</u>	<u>457,061</u>	<u>445,396</u>	<u>6,857,307</u>	<u>6,027,274</u>
Total revenues	<u>7,929,926</u>	<u>6,666,075</u>	<u>20,048,318</u>	<u>19,348,773</u>	<u>27,978,244</u>	<u>26,014,848</u>
<b>Expenses:</b>						
General government	1,091,310	785,323			1,091,310	785,323
Security of persons and property	3,285,227	2,975,506			3,285,227	2,975,506
Public health and welfare	27,952	34,343			27,952	34,343
Transportation	1,889,748	1,530,396			1,889,748	1,530,396
Community environment	240,568	80,002			240,568	80,002
Leisure time activity	338,650	319,293			338,650	319,293
Interest and fiscal charges	19,012	16,482			19,012	16,482
Water			1,342,135	1,154,915	1,342,135	1,154,915
Sewer			1,914,515	1,753,392	1,914,515	1,753,392
Electric			16,219,952	15,737,982	16,219,952	15,737,982
Refuse			705,726	577,535	705,726	577,535
Total expenses	<u>6,892,467</u>	<u>5,741,345</u>	<u>20,182,328</u>	<u>19,223,824</u>	<u>27,074,795</u>	<u>24,965,169</u>
Increase (decrease) in net assets before transfers	1,037,459	924,730	(134,010)	124,949	903,449	1,049,679
Transfers	(832,390)	(741,839)	832,390	741,839		
Change in net assets	205,069	182,891	698,380	866,788	903,449	1,049,679
Net assets at beginning of year (restated)	<u>33,361,613</u>	<u>33,178,722</u>	<u>27,746,992</u>	<u>26,880,204</u>	<u>61,108,605</u>	<u>60,058,926</u>
Net assets at end of year (restated)	<u>\$33,566,682</u>	<u>\$33,361,613</u>	<u>\$28,445,372</u>	<u>\$27,746,992</u>	<u>\$62,012,054</u>	<u>\$61,108,605</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

Governmental activities net assets increased \$205,069 in 2010. This increase is the result of increasing revenues still outpacing increasing expenses. Although both revenues and expenses increased fairly significantly from 2009, they are both comparable to 2008.

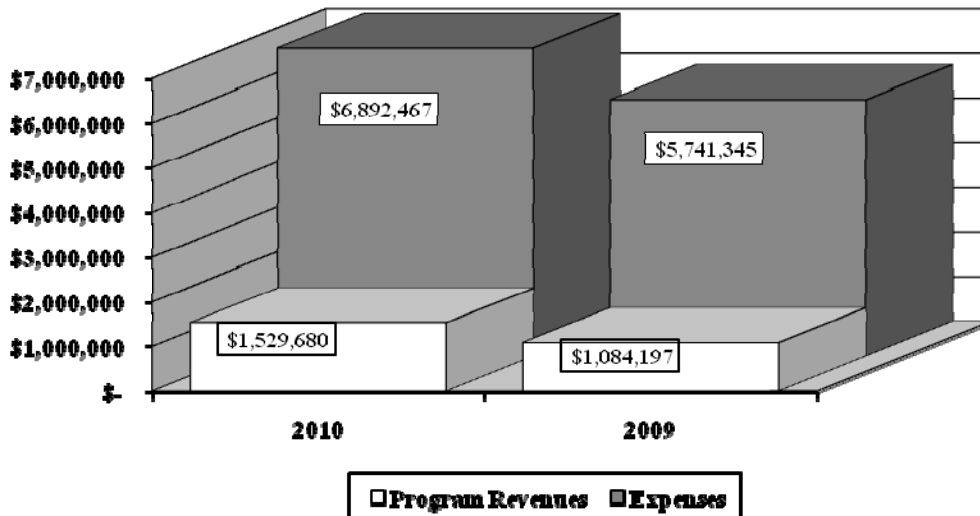
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$3,285,227 of the total expenses of the City. These expenses were partially funded by \$326,239 in direct charges to users of the services. Transportation expenses totaled \$1,889,748 and were partially funded by \$135,004 in direct charges to users of the services, \$370,923 in operating grants and contributions and \$270,244 in capital grants and contributions.

The State and federal government contributed to the City a total of \$384,057 in operating grants and contributions and \$441,069 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$370,923 subsidized transportation programs and \$13,134 subsidized community environment. Of the total capital grants and contributions, \$270,244 subsidized transportation programs and \$170,825 subsidized general government.

General revenues totaled \$6,400,246, and amounted to 80.71% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,241,641. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$862,592.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The graph below illustrates the City's dependence upon general revenues as program revenues are not sufficient to cover total governmental expenses.

**Governmental Activities - Program Revenues vs. Total Expenses**



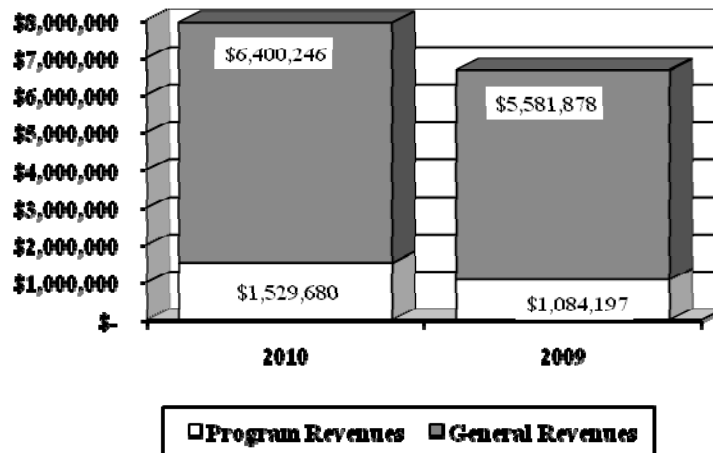
**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

<b>Governmental Activities</b>				
	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2010</b>	<b>Total Cost of Services 2009</b>	<b>Net Cost of Services 2009</b>
<b>Program expenses:</b>				
General government	\$1,091,310	\$ 797,470	\$ 785,323	\$ 631,246
Security of persons and property	3,285,227	2,958,988	2,975,506	2,599,905
Public health and welfare	27,952	25,532	34,343	30,497
Transportation	1,889,748	1,113,577	1,530,396	1,088,752
Community environment	240,568	225,002	80,002	76,876
Leisure time activity	338,650	223,206	319,293	213,390
Interest and fiscal charges	19,012	19,012	16,482	16,482
<b>Total expenses</b>	<b>\$6,892,467</b>	<b>\$5,362,787</b>	<b>\$5,741,345</b>	<b>\$4,657,148</b>

The dependence upon general revenues for governmental activities is apparent, with 77.81% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2010 and 2009:

**Governmental Activities - General and Program Revenues**



**Business-type Activities**

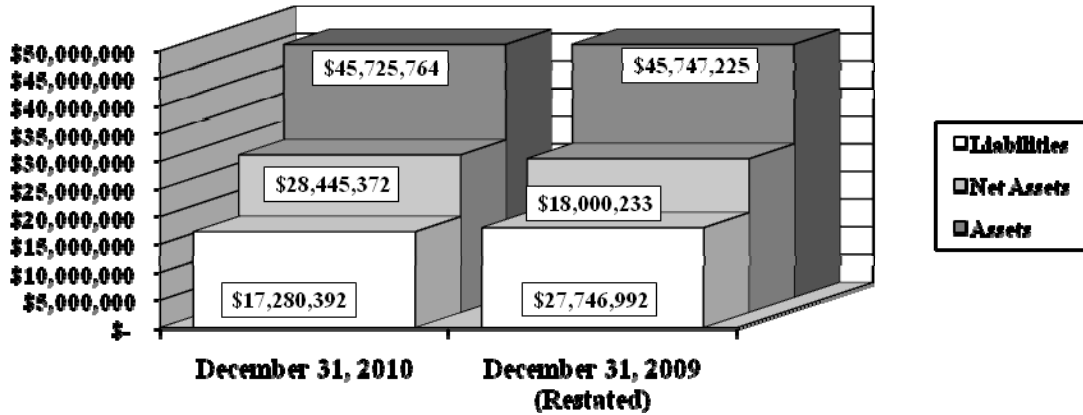
Business-type activities include the water, sewer, electric and refuse enterprise funds. These programs had program revenues of \$19,591,257, general revenues of \$457,061, transfers in of \$832,390 and expenses of \$20,182,328 for 2010.

The graph below illustrates the City's business-type assets, liabilities and net assets at December 31, 2010 and December 31, 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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(Continued)**

**Net Assets in Business-type Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance serves as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of \$13,317,711 which is \$169,716 lower than last year's total of \$13,487,427. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 and December 31, 2009 for all major and non-major governmental funds.

	<u>Fund Balances</u> <u>12/31/10</u>	<u>Fund Balances</u> <u>12/31/09</u>	<u>Decrease</u>
<b>Major Funds:</b>			
General	\$ 4,396,307	\$ 4,521,632	(\$125,325)
Other Non-major Governmental Funds	8,921,404	8,965,795	(44,391)
<b>Total</b>	<u>\$13,317,711</u>	<u>\$13,487,427</u>	<u>(\$169,716)</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

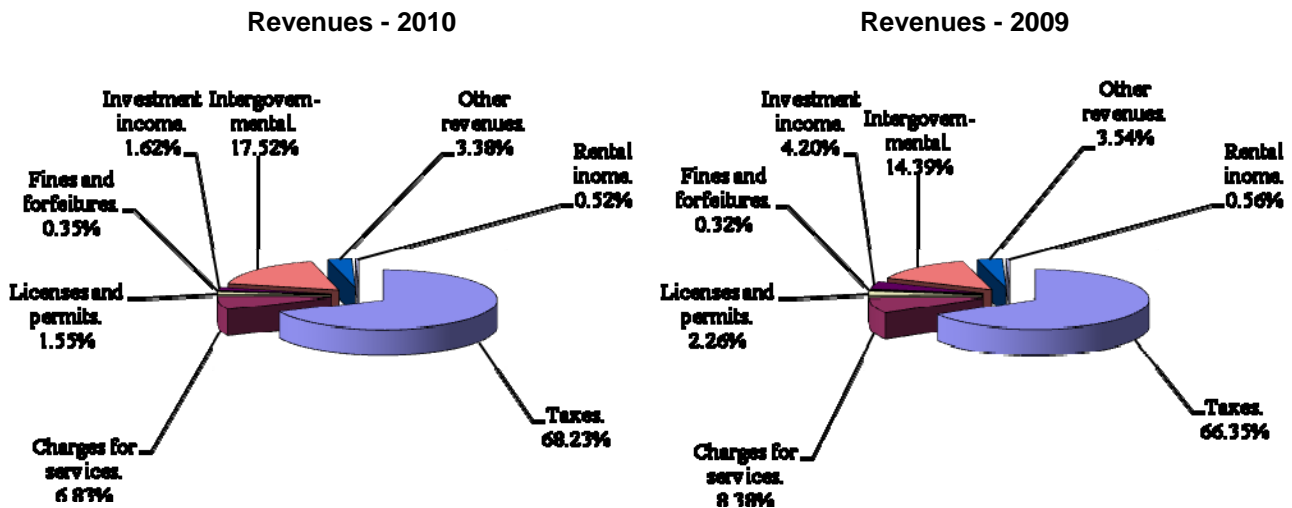
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

**General Fund**

The City's general fund balance decreased \$125,325. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>	
<b>Revenues:</b>				
Taxes	\$3,288,670	\$2,990,571	9.97	%
Charges for services	329,033	377,806	(12.91)	%
Licenses and permits	74,905	101,632	(26.30)	%
Fines and forfeitures	16,914	14,344	17.92	%
Intergovernmental	844,446	648,360	30.24	%
Investment income	78,031	189,426	(58.81)	%
Rental income	25,050	25,060	(0.04)	%
Other	162,913	159,760	1.97	%
<b>Total</b>	<u>\$4,819,962</u>	<u>\$4,506,959</u>	<u>6.94</u>	<u>%</u>

Tax revenues increased \$298,099 or 9.97% from the prior year. This increase is attributed to an increase in income tax revenues, which was due to an improving local economy. Intergovernmental revenue increased \$196,086 or 30.24% due to administrative fees from local villages for which the City collects income taxes. The decrease in investment income of \$111,395 or 58.81% is due to lower interest rates available to the City on monies held in depository and investment accounts. All other revenues remained comparable to 2009.



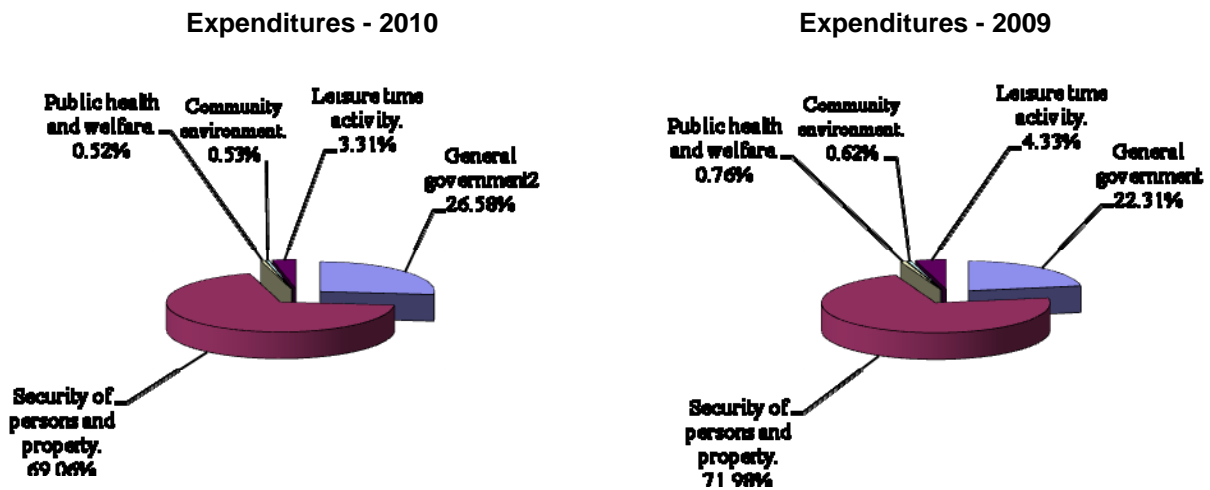
**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

The table that follows assists in illustrating the expenditures of the general fund.

<b>Expenditures:</b>	<b>2010 Amount</b>	<b>2009 Amount</b>	<b>Percent Change</b>	
General government	\$1,021,236	\$ 807,888	26.41	%
Security of person and property	2,653,201	2,606,310	1.80	%
Public health and welfare	20,090	27,528	(27.02)	%
Community environment	20,194	22,373	(9.74)	%
Leisure time activity	127,326	156,760	(18.78)	%
<b>Total</b>	<b>\$3,842,047</b>	<b>\$3,620,859</b>	<b>6.11</b>	<b>%</b>

General government expenditures increased \$213,348 or 26.41% from 2009, but the amount of \$1,021,236 is comparable with the 2008 total general government expenditures of \$1,100,990. The City had implemented successful measures to lower general government expenditures during 2009 and these expenditures simply increased to more typical levels during 2010.



**Budgeting Highlights - General Fund**

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual revenues came in \$1,019,538 higher than they were in the final budget and actual expenditures and other financing uses were \$1,055,188 less than the amount in the final budget. The variance in the expenditures and other financing uses is the result of the City's conservative budgeting. Budgeted revenues did not change from the original to the final budget. Budgeted expenditures and other financing uses increased \$127,924 from the original to the final budget primarily due to an increase in anticipated transfers out to other funds that were not calculated in the original budget.



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

***Water Fund***

The water fund had operating revenues of \$1,246,131 in 2010. This represents an increase of \$92,453 from 2009 operating revenues. The operating expenses of the water fund, which totaled \$1,323,445 in 2010, increased \$129,750 from 2009. The decrease in net assets for the water fund was \$75,476 or 1.23%.

***Sewer Fund***

The sewer fund had operating revenues of \$2,139,148 in 2010. This represents an increase of \$26,857 from 2009 operating revenues. The operating expenses of the sewer fund, which totaled \$1,545,642 in 2010, decreased \$206,356 from 2009. The increase in net assets for the sewer fund was \$249,075 or 3.27%.

***Electric Fund***

The electric fund had operating revenues of \$15,765,032 in 2010. This represents an increase of \$574,198 from 2009 operating revenues. The operating expenses of the electric fund, which totaled \$16,016,888 in 2010, increased \$304,951 from 2009. The increase in net assets for the electric fund was \$479,533 or 3.60%.

***Refuse Fund***

The refuse fund had operating revenues of \$854,285 in 2010. This represents an increase of \$13,107 from 2009 operating revenues. The operating expenses of the refuse fund, which totaled \$682,154 in 2010, increased \$61,757 from 2009. The increase in the net assets for the refuse fund was \$173,442 or 31.01%

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

**Capital Assets and Debt Administration**

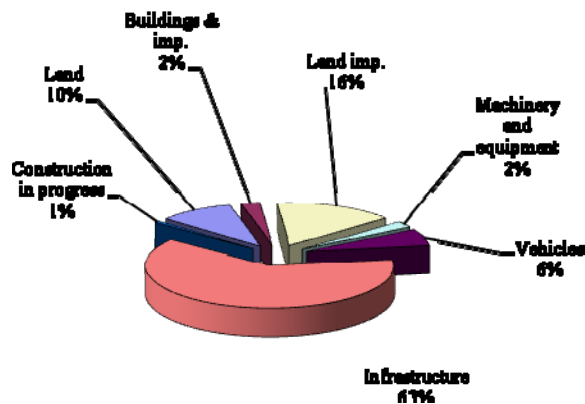
**Capital Assets**

At the end of 2010, the City had \$48,802,389 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Of this total, \$19,508,355 was reported in governmental activities and \$29,294,034 was reported in business-type activities. The following table shows December 31, 2010 balances compared to December 31, 2009:

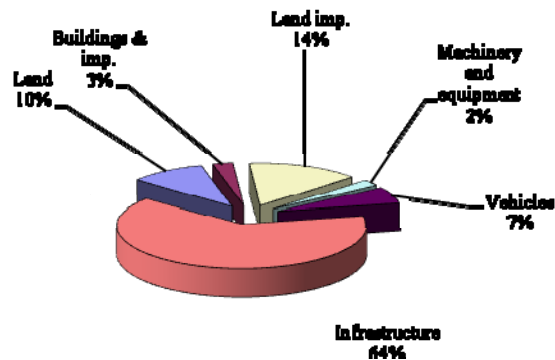
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,919,240	\$ 1,893,545	\$ 1,194,470	\$ 1,194,470	\$ 3,113,710	\$ 3,088,015
Construction in progress	120,942			11,420,862	120,942	11,420,862
Land improvements	3,029,830	2,786,414	2,113,611	2,300,362	5,143,441	5,086,776
Buildings and improvements	482,308	500,806	12,296,971	1,183,909	12,779,279	1,684,715
Machinery and equipment	454,590	445,107	1,999,609	2,029,783	2,454,199	2,474,890
Vehicles	1,248,037	1,256,542	595,875	572,686	1,843,912	1,829,228
Infrastructure	12,253,408	12,359,610	11,093,498	11,021,662	23,346,906	23,381,272
<b>Total</b>	<b>\$19,508,355</b>	<b>\$19,242,024</b>	<b>\$29,294,034</b>	<b>\$29,723,734</b>	<b>\$48,802,389</b>	<b>\$48,965,758</b>

The following graphs show the breakdown of governmental capital assets by category at December 31, 2010 and December 31, 2009.

**Capital Assets - Governmental Activities  
2010**



**Capital Assets - Governmental Activities  
2009**

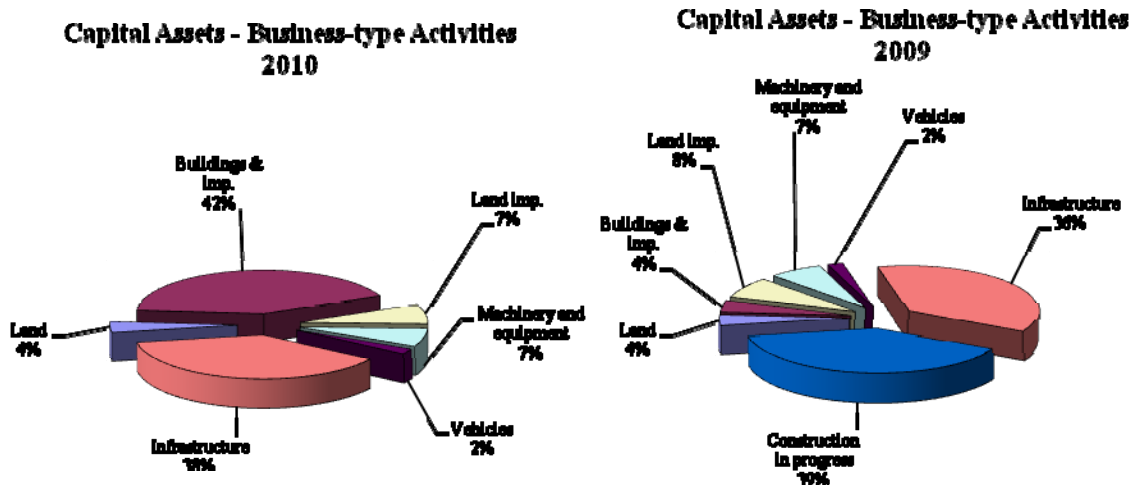


The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 63% of the City's total governmental capital assets.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

The following graphs show the breakdown of business-type capital assets by category at December 31, 2010 and December 31, 2009.



The City's largest business-type capital asset categories are buildings and improvements and infrastructure. Buildings and improvements increased significantly during 2010 due to the completion of a new wastewater treatment plant. This asset category now represents 42% of the City's total business-type capital assets. Infrastructure items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 38% of the City's total business-type capital assets. Additional information on the City's capital assets can be found in Note 11.

**Debt Administration**

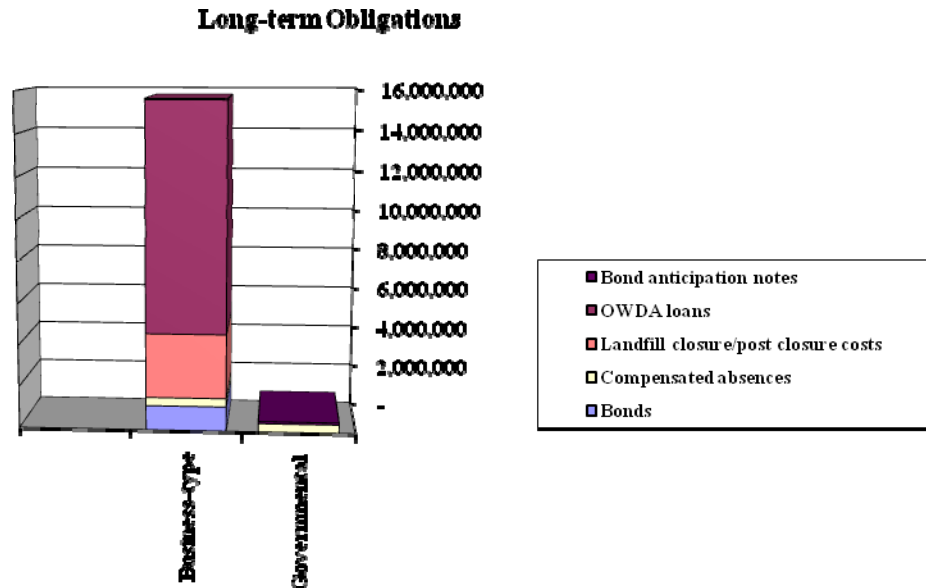
The City had the following long-term obligations outstanding at December 31, 2010 and December 31, 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>(Restated) 2009</b>
Bond anticipation notes	\$ 100,000	
Compensated absences	403,482	\$391,948
Total long-term obligations	<u>\$ 503,482</u>	<u>\$391,948</u>
	<b>Business-type Activities</b>	
General obligation bonds	\$1,184,173	\$1,273,053
Total bonds	<u>1,184,173</u>	<u>1,273,053</u>
Compensated absences	401,085	416,738
OWDA loans	10,995,707	11,437,005
Landfill closure/post-closure costs	3,079,980	3,176,410
Total long-term obligations	<u>\$15,660,945</u>	<u>\$16,303,206</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

A comparison of the long-term obligations by category is depicted in the chart below.



Additional information on the City's long-term obligations can be found in Note 13.

**Economic Conditions and Outlook**

One of the largest manufacturing plants in the City remains the Veyance Corp., formerly the Goodyear Tire & Rubber Company, with an employment of 400 employees at the local plant. Veyance has kept the local Engineered Products Plant competitive and responsible to the global marketplace changes. The primary products the plant produces are agricultural rubber tracks called the "trackman" and military rubber tank treads produced for use on the Army's primary battle tank, the Abrams M1 tank, which is produced in Lima. In addition, the local Veyance plant over the last several years has made major capital investments in machinery and equipment.

The industrial base in the City has been greatly diversified over the past 15 years, primarily due to the success of several Japanese companies that started production in the City during the late 1980's.

Setex was the first Japanese company to call the City its home when it started the production of automobile seats for Honda in 1988. Over the past 20 years, Setex has experienced tremendous growth, with employment levels increasing from the initial 65 employees to the current 425 employees. Setex also increased production capacity significantly by first doubling the size of their initial plant and later constructing a new manufacturing plant to permit production of seats for a variety of Honda automobile lines.

AAP St. Marys Corporation, a division of Hitachi Metals America Ltd., established their aluminum wheel casting plant in the City in 1989. AAP St. Marys has also experienced tremendous growth, with employment levels increasing from the initial 65 employees to the 450 employees today. AAP St. Marys recently underwent a major building expansion and investment in new machinery and equipment. The expansion project is expected to create 50 jobs in the future. These 450 to 500 employees provide a key component of the stable industrial base in the City.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

The City also has other manufacturing industries that add stability to the local economy. Parker Hannifin Corporation, employing 125 workers, manufactures hydraulic cylinder components. The company constructed a new plant in the City in 2000, with additional acreage available for new growth. Omni Manufacturing, Inc., a metal tooling and stamping plant, has enjoyed steady growth with an employment level near 130. In addition, the St. Marys Foundry, Inc., Pro-Pet, LLC, Classic Delight, Inc., MTO, and others combine to offer diverse manufacturing jobs for families in the St. Marys area.

Joint Township District Memorial Hospital recently completed a multi-million dollar expansion project that further enhances an already excellent level of health care for the City and the entire region. Joint Township District Memorial Hospital remains the top non-manufacturing sector employer with over 650 workers. The hospital also was recently named in the top 1% of health care facilities in the United States.

The diversity of the manufacturing sector bodes well for the economy of the City. If there is an occasional slow-down at one individual industry, it is hoped that the City's diverse employment opportunities are strong enough to withstand any economic slow-down that may occur.

**For the Future**

The City is a beautiful community located in west-central Ohio, midway between Cincinnati and Toledo, and about 20 miles east of the Indiana state line. Only 10 miles to the east is Interstate 75, one of the nation's busiest north-south highways. The City offers a lovely rural setting right in the heart of industrial America. Several major metropolitan areas including Columbus, Dayton, Toledo, and Ft. Wayne are within easy commuting distance. Almost two-thirds of the nation's population lives within a 500 mile radius, making the City a natural location to conduct business.

The City has a diverse and prosperous business base and a population that understands the value of hard work. The fertile farmland and expanding tourism industry provide additional economic factors that add significantly to the City's economic prosperity.

The rich history of the City dates back to the early 1800's when "canal fever" swept over Ohio. It provided the City with the opportunity to become part of a canal system highway that would run from the Miami River to Lake Erie. After completion of the canal, Grand Lake St. Marys (formerly The Grand Reservoir) was completed in 1845 to help maintain the water levels in the canal. Grand Lake St. Marys is now one of the busiest tourist areas in Ohio.

The City's future promises to be even brighter than its historic past. The City is a community of 8,300 residents. The people embrace a lifestyle based on strong family values. Caring for and respecting neighbors is a way of life. The police, fire, and EMS forces offer hometown security only experienced in a rural setting such as the City's. Utility services offered by the City are some of the most reliable and economical in the entire region.

The City's residents are proud of their past and look forward to the future with excitement and enthusiasm. Civic pride has been highlighted in the City by several community projects that have made the downtown business district a focal point for the entire area. Citizens donated their time and efforts to construct a replica of a historic canal boat, a wooden covered bridge, a grotto along the St. Marys River, and a Veteran's Memorial Walkway. In addition, Lock 13 was recently restored to further enhance the canal atmosphere. The City's people are "can do" people, taking strides to improve their community.

From the early canal days and into the 21st century, industry has found a home in the City. Businesses have been retained, with many undergoing expansions. The cooperative attitude between business and government has also resulted in many new industrial additions to the community over the past 15 years.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)  
(Continued)**

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas Riesen, City Auditor, City of St. Marys, 101 E. Spring Street, St. Marys, OH 45885.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$11,924,864	\$12,525,062	\$24,449,926
<b>Receivables (net of allowance for uncollectibles):</b>			
Income taxes	782,402		782,402
Real and other taxes	533,810	65,737	599,547
Accounts	57,203	1,829,280	1,886,483
Special assessments	334,112	576	334,688
Loans	1,099,198		1,099,198
Notes	150,000		150,000
Accrued interest	12,456		12,456
Internal balance	(151,536)	151,536	
Due from other governments	415,814	3,592	419,406
Prepayments	53,421	89,503	142,924
Materials and supplies inventory	90,520	509,888	600,408
Investment in joint venture		953,958	953,958
<b>Restricted assets:</b>			
Refundable deposits		302,598	302,598
Cash with fiscal agent	32,920		32,920
<b>Capital assets:</b>			
Land and construction in progress	2,040,182	1,194,470	3,234,652
Depreciable capital assets, net	17,468,173	28,099,564	45,567,737
Total capital assets, net.	<u>19,508,355</u>	<u>29,294,034</u>	<u>48,802,389</u>
Total assets	<u>34,843,539</u>	<u>45,725,764</u>	<u>80,569,303</u>
<b>Liabilities:</b>			
Accounts payable	28,340	1,238,510	1,266,850
Retainage payable	12,274	43	12,317
Accrued wages and benefits	61,867	40,315	102,182
Due to other governments	145,303	37,981	183,284
Judgments payable	4,500		4,500
Unearned revenue	520,609		520,609
Accrued interest payable	482		482
<b>Payable from restricted assets:</b>			
Refundable deposits		302,598	302,598
<b>Long-term liabilities:</b>			
Due within one year	179,966	600,231	780,197
Due in more than one year	323,516	15,060,714	15,384,230
Total liabilities	<u>1,276,857</u>	<u>17,280,392</u>	<u>18,557,249</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	19,408,355	17,114,154	36,522,509
<b>Restricted for:</b>			
Capital projects	5,848,380		5,848,380
Debt service	89,627		89,627
Transportation projects	1,469,740		1,469,740
Community improvements	2,104,528		2,104,528
Other purposes	92,507		92,507
Unrestricted	4,553,545	11,331,218	15,884,763
Total net assets	<u>\$33,566,682</u>	<u>\$28,445,372</u>	<u>\$62,012,054</u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Governmental Activities:</b>			
General government	\$1,091,310	\$123,015	\$170,825
Security of persons and property	3,285,227	326,239	
Public health and welfare	27,952	2,420	
Transportation	1,889,748	135,004	\$370,923
Community environment	240,568	2,432	13,134
Leisure time activity	338,650	115,444	
Interest and fiscal charges	19,012		
<b>Total governmental activities</b>	<b>6,892,467</b>	<b>704,554</b>	<b>384,057</b>
<b>Business-type Activities:</b>			
Water	1,342,135	1,211,748	
Sewer	1,914,515	2,090,541	
Electric	16,219,952	15,475,921	
Refuse	705,726	813,047	
<b>Total business-type activities</b>	<b>20,182,328</b>	<b>19,591,257</b>	
<b>Total primary government</b>	<b>\$27,074,795</b>	<b>\$20,295,811</b>	<b>\$384,057</b>

**General Revenues:**

**Property taxes levied for:**

General operations

Special purposes

**Income taxes levied for:**

General operations

Special purposes

Capital projects

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year (restated)

Net assets at end of year

*See accompanying notes to the basic financial statements.*



**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
(\$797,470)		(\$797,470)
(2,958,988)		(2,958,988)
(25,532)		(25,532)
(1,113,577)		(1,113,577)
(225,002)		(225,002)
(223,206)		(223,206)
(19,012)		(19,012)
<u>(5,362,787)</u>		<u>(5,362,787)</u>
	(\$130,387)	(130,387)
	176,026	176,026
	(744,031)	(744,031)
	<u>107,321</u>	<u>107,321</u>
	(591,071)	(591,071)
<u>(5,362,787)</u>	<u>(591,071)</u>	<u>(5,953,858)</u>
1,140,050		1,140,050
69,810		69,810
2,205,057		2,205,057
445,826		445,826
1,380,898		1,380,898
862,592	5,695	868,287
84,483	38,027	122,510
211,530	413,339	624,869
<u>6,400,246</u>	<u>457,061</u>	<u>6,857,307</u>
<u>(832,390)</u>	<u>832,390</u>	
<u>5,567,856</u>	<u>1,289,451</u>	<u>6,857,307</u>
205,069	698,380	903,449
<u>33,361,613</u>	<u>27,746,992</u>	<u>61,108,605</u>
<u><u>\$33,566,682</u></u>	<u><u>\$28,445,372</u></u>	<u><u>\$62,012,054</u></u>

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**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$4,110,549	\$7,759,836	\$11,870,385
<b>Receivables (net of allowance for uncollectibles):</b>			
Income taxes	375,553	406,849	782,402
Real and other taxes	445,716	88,094	533,810
Accounts	57,203		57,203
Special assessments		334,112	334,112
Loans		1,099,198	1,099,198
Notes		150,000	150,000
Accrued interest	12,456		12,456
Due from other funds	63,152		63,152
Due from other governments	222,410	193,404	415,814
Prepayments	46,150	7,271	53,421
Materials and supplies inventory	37,163	18,474	55,637
<b>Restricted assets:</b>			
Cash with fiscal agent		32,920	32,920
<b>Total assets</b>	<b>5,370,352</b>	<b>10,090,158</b>	<b>15,460,510</b>
<b>Liabilities:</b>			
Accounts payable	16,548	9,847	26,395
Retainage payable		12,274	12,274
Accrued wages and benefits	51,169	9,765	60,934
Compensated absences payable	1,575		1,575
Interfund loans payable		219,920	219,920
Due to other governments	44,326	100,035	144,361
Judgments payable	4,500		4,500
Unearned revenue	434,859	85,750	520,609
Deferred revenue	421,068	731,163	1,152,231
<b>Total liabilities</b>	<b>974,045</b>	<b>1,168,754</b>	<b>2,142,799</b>
<b>Fund balances:</b>			
Reserved for encumbrances	151,355	377,145	528,500
Reserved for materials and supplies inventory	37,163	18,474	55,637
Reserved for prepayments	46,150	7,271	53,421
Reserved for loans		1,099,198	1,099,198
Reserved for notes		150,000	150,000
Reserved for restricted assets		32,920	32,920
<b>Unreserved, undesignated (deficit), reported in:</b>			
General fund	4,161,639		4,161,639
Special revenue funds		2,211,508	2,211,508
Debt service funds		(195,975)	(195,975)
Capital projects funds		5,220,863	5,220,863
<b>Total fund balances</b>	<b>4,396,307</b>	<b>8,921,404</b>	<b>13,317,711</b>
<b>Total liabilities and fund balances</b>	<b>\$5,370,352</b>	<b>\$10,090,158</b>	<b>\$15,460,510</b>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010**

Total governmental fund balances	\$13,317,711
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Amounts reported for governmental activities on the statement of net assets are different because:

Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.	19,473,855
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Income taxes receivable	\$454,385
Real and other taxes receivable	12,959
Accounts receivable	26,693
Special assessments receivable	334,112
Accrued interest receivable	5,456
Due from other governments	318,626
Total	1,152,231

The internal service funds are used by management to charge the costs of employee insurance and the maintenance garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets. The net assets of the internal service funds, including an internal balance of (\$5,232), are:	
	113,464

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in internal service funds) are as follows:	
Bond anticipation notes payable	(100,000)
Compensated absences payable	(390,097)
Accrued interest payable	(482)
Total	(490,579)

Net assets of governmental activities	\$33,566,682
---------------------------------------	--------------

*See accompanying notes to the basic financial statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Income taxes	\$2,148,811	\$1,765,792	\$3,914,603
Real and other taxes	1,139,859	69,780	1,209,639
Charges for services	329,033	104,586	433,619
Licenses, permits and fees	74,905		74,905
Fines and forfeitures	16,914	2,116	19,030
Special assessments		146,852	146,852
Intergovernmental	844,446	686,300	1,530,746
Investment income	78,031	16,270	94,301
Rental income	25,050		25,050
Contributions and donations	1,875	565	2,440
Other	161,038	44,252	205,290
Total revenues	<u>4,819,962</u>	<u>2,836,513</u>	<u>7,656,475</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,021,236		1,021,236
Security of persons and property	2,653,201	353,820	3,007,021
Public health and welfare	20,090		20,090
Transportation		830,485	830,485
Community environment	20,194	161,302	181,496
Leisure time activity	127,326	108,541	235,867
Capital outlay		1,785,644	1,785,644
<b>Debt service:</b>			
Interest and fiscal charges		18,749	18,749
Total expenditures	<u>3,842,047</u>	<u>3,258,541</u>	<u>7,100,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>977,915</u>	<u>(422,028)</u>	<u>555,887</u>
<b>Other financing sources (uses):</b>			
Note issuance		100,000	100,000
Transfers in		326,921	326,921
Transfers out	(1,110,244)	(49,067)	(1,159,311)
Total other financing sources (uses)	<u>(1,110,244)</u>	<u>377,854</u>	<u>(732,390)</u>
Net change in fund balances	(132,329)	(44,174)	(176,503)
Fund balances at beginning of year	4,521,632	8,965,795	13,487,427
Increase (decrease) in reserve for inventory	7,004	(217)	6,787
Fund balances at end of year	<u>\$4,396,307</u>	<u>\$8,921,404</u>	<u>\$13,317,711</u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds (\$176,503)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. Both amounts are exclusive of internal service funds activity.

Capital asset additions	\$1,681,242	
Current year depreciation	<u>(1,411,911)</u>	
Total		269,331

Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.

6,787

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes	117,178	
Real and other taxes	221	
Licenses, permits and fees	16,896	
Fines and forfeitures	50	
Special assessments	(11,848)	
Intergovernmental	(28,232)	
Investment income	3,333	
Other	<u>4,365</u>	
Total		101,963

Proceeds of bond anticipation notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as an other financing source as they increase the liabilities on the statement of net assets.

(100,000)

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.

(263)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(13,960)

The internal service funds used by management to charge the costs of employee insurance and the maintenance garage to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balance activity of (\$128,194), is allocated among the governmental activities.

117,714

Change in net assets of governmental activities

\$205,069

*See accompanying notes to the basic financial statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes	\$1,689,297	\$1,689,297	\$2,140,024	\$450,727
Real and other taxes	897,708	897,708	1,137,229	239,521
Charges for services	251,487	251,487	318,587	67,100
Licenses, permits and fees	70,854	70,854	89,759	18,905
Fines and forfeitures	12,770	12,770	16,177	3,407
Intergovernmental	706,380	706,380	894,852	188,472
Investment income	45,981	45,981	58,249	12,268
Rental income	19,774	19,774	25,050	5,276
Contributions and donations	1,480	1,480	1,875	395
Other	125,433	125,433	158,900	33,467
Total revenues	<u>3,821,164</u>	<u>3,821,164</u>	<u>4,840,702</u>	<u>1,019,538</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,476,606	1,585,240	1,054,889	530,351
Security of persons and property	2,999,714	2,888,495	2,749,896	138,599
Public health and welfare	56,985	56,985	19,945	37,040
Community environment	23,355	23,355	22,494	861
Leisure time activities	273,186	251,348	150,589	100,759
Total expenditures	<u>4,829,846</u>	<u>4,805,423</u>	<u>3,997,813</u>	<u>807,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,008,682)</u>	<u>(984,259)</u>	<u>842,889</u>	<u>1,827,148</u>
<b>Other financing uses:</b>				
Transfers out	<u>(1,205,475)</u>	<u>(1,357,822)</u>	<u>(1,110,244)</u>	<u>247,578</u>
Total other financing uses	<u>(1,205,475)</u>	<u>(1,357,822)</u>	<u>(1,110,244)</u>	<u>247,578</u>
Net change in fund balance	(2,214,157)	(2,342,081)	(267,355)	2,074,726
Fund balance at beginning of year	4,062,061	4,062,061	4,062,061	
Prior year encumbrances appropriated	145,055	145,055	145,055	
Fund balance at end of year	<u>\$1,992,959</u>	<u>\$1,865,035</u>	<u>\$3,939,761</u>	<u>\$2,074,726</u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2010**

	<b>Business-type Activities</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Equity in pooled cash and cash equivalents	\$1,023,797	\$2,538,510	\$7,047,726
<b>Receivables (net of allowance for uncollectibles):</b>			
Real and other taxes			65,737
Accounts	104,135	192,728	1,462,996
Special assessments	383	193	
Interfund loans			219,920
Due from other governments			
Prepayments	11,105	10,599	62,579
Materials and supplies inventory	154,685	44,982	296,125
Total current assets	<u>1,294,105</u>	<u>2,787,012</u>	<u>9,155,083</u>
<b>Non-current assets:</b>			
<b>Restricted assets:</b>			
Refundable deposits			302,598
Investment in joint venture			953,958
<b>Capital assets:</b>			
Land	232,462	144,500	513,813
Depreciable capital assets, net	4,678,537	16,021,503	5,854,531
Total capital assets, net	<u>4,910,999</u>	<u>16,166,003</u>	<u>6,368,344</u>
Total non-current assets	<u>4,910,999</u>	<u>16,166,003</u>	<u>7,624,900</u>
Total assets	<u>6,205,104</u>	<u>18,953,015</u>	<u>16,779,983</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	21,386	3,117	1,206,459
Retainage payable	3	33	7
Accrued wages and benefits	9,261	8,597	17,889
Compensated absences payable	16,459	13,165	48,929
Due to other funds			63,152
Due to other governments	8,275	7,709	17,537
<b>Payable from restricted assets:</b>			
Refundable deposits			302,598
Current portion OWDA loans payable		421,717	
Current portion general obligation bonds			93,638
Total current liabilities	<u>55,384</u>	<u>454,338</u>	<u>1,750,209</u>
<b>Long-term liabilities:</b>			
Compensated absences	81,769	61,490	152,595
OWDA loans payable		10,573,990	
General obligation bonds payable			1,090,535
Landfill closure/postclosure liability			
Total long-term liabilities	<u>81,769</u>	<u>10,635,480</u>	<u>1,243,130</u>
Total liabilities	<u>137,153</u>	<u>11,089,818</u>	<u>2,993,339</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	4,910,999	5,170,296	5,184,171
Unrestricted (deficit)	1,156,952	2,692,901	8,602,473
Total net assets	<u>\$6,067,951</u>	<u>\$7,863,197</u>	<u>\$13,786,644</u>

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.

Net assets of business-type activities.

See accompanying notes to the basic financial statements.



<b>Enterprise Funds</b>		<b>Governmental Activities</b>
<b>Refuse</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$1,915,029	\$12,525,062	\$54,479
	65,737	
69,421	1,829,280	
	576	
	219,920	
3,592	3,592	
5,220	89,503	
14,096	509,888	34,883
<u>2,007,358</u>	<u>15,243,558</u>	<u>89,362</u>
	302,598	
	953,958	
303,695	1,194,470	
1,544,993	28,099,564	34,500
<u>1,848,688</u>	<u>29,294,034</u>	<u>34,500</u>
<u>1,848,688</u>	<u>30,550,590</u>	<u>34,500</u>
<u>3,856,046</u>	<u>45,794,148</u>	<u>123,862</u>
7,548	1,238,510	1,945
	43	
4,568	40,315	933
6,323	84,876	1,906
	63,152	
4,460	37,981	942
	302,598	
	421,717	
	93,638	
<u>22,899</u>	<u>2,282,830</u>	<u>5,726</u>
20,355	316,209	9,904
	10,573,990	
	1,090,535	
<u>3,079,980</u>	<u>3,079,980</u>	
<u>3,100,335</u>	<u>15,060,714</u>	<u>9,904</u>
<u>3,123,234</u>	<u>17,343,544</u>	<u>15,630</u>
1,848,688	17,114,154	34,500
(1,115,876)	11,336,450	73,732
<u>\$732,812</u>	<u>28,450,604</u>	<u>\$108,232</u>
	(5,232)	
	<u>\$28,445,372</u>	

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-type Activities</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Operating revenues:</b>			
Charges for services	\$1,209,045	\$2,082,441	\$15,475,921
Tap-in fees	2,703	8,100	
Rental income	1,473		16,998
Other	32,910	48,607	272,113
Total operating revenues	<u>1,246,131</u>	<u>2,139,148</u>	<u>15,765,032</u>
<b>Operating expenses:</b>			
Personal services	655,088	616,228	1,199,465
Contractual services	189,692	364,303	295,190
Materials and supplies	237,322	73,991	13,932,872
Depreciation	240,239	489,110	589,361
Other	1,104	2,010	
Total operating expenses	<u>1,323,445</u>	<u>1,545,642</u>	<u>16,016,888</u>
Operating income (loss)	<u>(77,314)</u>	<u>593,506</u>	<u>(251,856)</u>
<b>Non-operating revenues (expenses):</b>			
Interest and fiscal charges		(348,522)	(57,103)
Interest revenue	1,838	4,091	30,787
Decrease in investment in joint venture			(74,685)
Other local tax revenue			5,695
Excise tax expense			(5,695)
Total non-operating revenues (expenses)	<u>1,838</u>	<u>(344,431)</u>	<u>(101,001)</u>
Net income (loss) before transfers	(75,476)	249,075	(352,857)
Transfers in			<u>832,390</u>
Change in net assets	(75,476)	249,075	479,533
Net assets at beginning of year (restated)	<u>6,143,427</u>	<u>7,614,122</u>	<u>13,307,111</u>
Net assets at end of year	<u>\$6,067,951</u>	<u>\$7,863,197</u>	<u>\$13,786,644</u>

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.

Change in net assets of business-type activities.

*See accompanying notes to the basic financial statements.*

<b>Enterprise Funds</b>		<b>Governmental Activities</b>
<b>Refuse</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$813,047	\$19,580,454	\$399,451
	10,803	
11,838	30,309	
29,400	383,030	1,844
<u>854,285</u>	<u>20,004,596</u>	<u>401,295</u>
358,966	2,829,747	67,962
197,970	1,047,155	986
1,910	14,246,095	339,827
118,555	1,437,265	3,000
4,753	7,867	
<u>682,154</u>	<u>19,568,129</u>	<u>411,775</u>
<u>172,131</u>	<u>436,467</u>	<u>(10,480)</u>
	(405,625)	
1,311	38,027	
	(74,685)	
	5,695	
	(5,695)	
<u>1,311</u>	<u>(442,283)</u>	
173,442	(5,816)	(10,480)
	832,390	
173,442	826,574	(10,480)
<u>559,370</u>		<u>118,712</u>
<u>\$732,812</u>		<u>\$108,232</u>
	(128,194)	
	<u>\$698,380</u>	

CITY OF ST. MARYS  
AUGLAIZE COUNTY

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-type Activities</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services	\$1,209,301	\$2,077,597	\$15,517,180
Cash received from tap-in fees	2,703	8,100	
Cash received from rental charges	1,473		16,998
Cash received from other operations	32,912	48,607	342,063
Cash payments for personal services	(659,230)	(616,524)	(1,210,968)
Cash payments for contract services	(189,036)	(372,927)	(288,590)
Cash payments for materials and supplies	(210,661)	(107,950)	(13,918,787)
Cash payments for other operations	(1,104)	(2,010)	(79,858)
Net cash provided by operating activities	<u>186,358</u>	<u>1,034,893</u>	<u>378,038</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from transfers in			832,390
Cash received from the repayment of interfund loans			109,770
Cash payments for new interfund loans			(27,300)
Cash received from other local taxes			5,695
Cash payments for excise tax expense			(5,695)
Net cash provided by non-capital financing activities			<u>914,860</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash payments for the acquisition of capital assets	(206,219)	(446,684)	(216,321)
Cash payments for principal retirement		(441,298)	(88,880)
Cash payments for interest and fiscal charges		(380,107)	(62,562)
Net cash used in capital and related financing activities	<u>(206,219)</u>	<u>(1,268,089)</u>	<u>(367,763)</u>
<b>Cash flows from investing activities:</b>			
Cash received from interest earned	1,838	4,091	30,787
Net cash provided by investing activities	<u>1,838</u>	<u>4,091</u>	<u>30,787</u>
Net increase (decrease) in cash and cash equivalents	(18,023)	(229,105)	955,922
Cash and cash equivalents at beginning of year	1,041,820	2,767,615	6,394,402
Cash and cash equivalents at end of year	<u>1,023,797</u>	<u>2,538,510</u>	<u>7,350,324</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	(77,314)	593,506	(251,856)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>			
Depreciation	240,239	489,110	589,361
<b>Changes in assets and liabilities:</b>			
(Increase) decrease in accounts receivable	309	(5,714)	14,944
(Increase) decrease in special assessments receivable	(51)	870	
Decrease in due from other governments			
(Increase) in real and other taxes receivable			(2,783)
(Increase) decrease in materials and supplies inventory	9,715	(445)	43,930
(Increase) decrease in prepayments	307	329	(458)
Increase (decrease) in accounts payable	17,292	(2,065)	(6,989)
(Decrease) in contracts payable		(12,070)	(15,992)
Increase (decrease) in retainage payable	3	(28,332)	(12,234)
Increase (decrease) in accrued wages and benefits	(1,152)	(739)	(1,899)
Increase (decrease) in compensated absences payable	(3,966)	(378)	(11,473)
Increase in due to other governments	976	821	1,995
Increase in due to other funds			2,657
Increase in refundable deposits liability			28,835
(Decrease) in landfill closure/post closure liability			
Net cash provided by operating activities	<u>\$186,358</u>	<u>\$1,034,893</u>	<u>\$378,038</u>

See accompanying notes to the basic financial statements.

<b>Enterprise Funds</b>		<b>Governmental Activities</b>
<b>Refuse</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$813,659	\$19,617,737	\$399,451
	10,803	
11,188	29,659	
25,808	449,390	1,844
(357,442)	(2,844,164)	(67,843)
(304,839)	(1,155,392)	(986)
(3,857)	(14,241,255)	(327,705)
(143)	(83,115)	
184,374	1,783,663	4,761
	832,390	
	109,770	
	(27,300)	
	5,695	
	(5,695)	
	914,860	
(138,341)	(1,007,565)	
	(530,178)	
	(442,669)	
(138,341)	(1,980,412)	
1,311	38,027	
1,311	38,027	
47,344	756,138	4,761
1,867,685	12,071,522	49,718
1,915,029	12,827,660	54,479
172,131	436,467	(10,480)
118,555	1,437,265	3,000
(38)	9,501	
	819	
1,018	1,018	
	(2,783)	
(1,947)	51,253	17,226
(93)	85	
(10,346)	(2,108)	(5,104)
	(28,062)	
	(40,563)	
82	(3,708)	(326)
164	(15,653)	300
1,278	5,070	145
	2,657	
	28,835	
(96,430)	(96,430)	
\$184,374	\$1,783,663	\$4,761

CITY OF ST. MARYS  
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2010

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$95,064
<b>Receivables:</b>	
Income taxes	918,420
Total assets	<u>1,013,484</u>
<b>Liabilities:</b>	
Accounts payable	15,711
Due to other governments	918,420
Payroll withholdings	2,393
Undistributed assets	76,960
Total liabilities	<u>\$1,013,484</u>

*See accompanying notes to the basic financial statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. DESCRIPTION OF THE CITY**

The City of St. Marys (the "City") is a home rule municipal corporation established and operated under the laws of the State of Ohio. St. Marys was established as a city in 1823 and incorporated as a municipal corporation in 1837.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. Three City Council members are elected at-large and four are elected from wards. Other elected officials consist of the auditor, treasurer and law director; each elected for four-year terms.

The City of St. Marys is divided into various departments and financial management and control systems. Services provided include police and fire protection, street maintenance and repair, planning and zoning, parks and recreation (including a swimming pool), and water, sewer, electric and refuse services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City's reporting entity has been defined according to GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units for 2010.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

The following organizations are described due to their relationship to the City:

**1. Joint Venture With Equity Interest**

**Ohio Municipal Electric Generation Agency Joint Venture**

The City of St. Marys is a Financing Participant and a Purchaser Participant with percentages of liability and ownership of 3.80% and 2.98% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2010, the City of St. Marys has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a basis of ownership percentage. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2010 was \$941,624 (including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$953,958 at December 31, 2010. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2010 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	\$ 32,000	Grafton	0.79%	\$1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>\$127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>\$134,081</u>

The City's liability for the bonds is disclosed below:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 93,638	\$ 58,787	\$ 152,425
2012	98,586	53,871	152,457
2013	103,725	48,695	152,420
2014	109,054	43,249	152,303
2015	114,763	37,524	152,287
2016 - 2020	664,407	97,538	761,945
Total Gross Liability	1,184,173	\$339,664	\$1,523,837
Less: Amounts Held in Reserve	(242,549)		
Net Obligation	<u>\$ 941,624</u>		

**2. Insurance Purchasing Pool**

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Municipal League Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**B. Basis of Presentation**

The City's basic financial statements consist of government-wide 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 City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

- 2. Fund Financial Statements** - During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental and enterprise 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services, tap-in fees and rental income for the water, sewer, electric and refuse enterprise funds and insurance premiums collected for the self-insurance internal service fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

1. **Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the City's major governmental fund:

**General fund** - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) grants and other resources whose use is restricted to a particular purpose.

2. **Proprietary Funds** - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

**Water fund** - This fund accounts for the operations of water treatment and distribution to residential and commercial users located within the City.

**Sewer fund** - This fund accounts for the operations of sanitary sewer service to residential and commercial users located within the City.

**Electric fund** - This fund accounts for the operations of providing electric services to residential and commercial users located within the City.

**Refuse fund** - This fund accounts for the operations of providing solid waste removal to residential and commercial users located within the City.

**Internal Service Funds** - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on a self-insurance program for employee medical benefits and a maintenance garage.

3. **Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. 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 City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds which are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds have been established to account for outside sewer district deposits, trust deposits, and employee savings bond deposits.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**D. Measurement Focus**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**2. Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**1. Revenues - Exchange and Non-exchange Transactions**

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

**2. Unearned Revenue and Deferred Revenue**

Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue in the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**3. Expenses/Expenditures**

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**F. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

**1. Tax Budget**

A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County auditor waived this requirement for 2010.

**2. Estimated Resources**

The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or before December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended official certificate of estimated resources issued during 2010.

**3. Appropriations**

A temporary appropriations ordinance to control the level of expenditures for all funds may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. Appropriations may not exceed estimated resources as established in the amended official certificate of estimated resources. The allocation of appropriations among departments and objects within a fund may be modified during the year with City Council approval. Several appropriations resolutions were legally enacted by the City Council during the year. The budget figures which appear in the statements of budgetary comparisons represent the appropriated budget amounts and all supplemental appropriations.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**4. Budgeted Level of Expenditures**

Administrative control is maintained through the establishment of detailed line-item budgets. Expenditures may not legally exceed appropriations at the level of appropriation adopted by the City Council. For all funds, City Council appropriations are made to personal services, capital outlay, debt retirement, transfer accounts and other expenditure accounts for each department within each fund. The appropriations set by the City Council at the legal level of control must remain fixed unless amended by City Council resolution. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within the City Council's legal level of control appropriated amount.

**5. Lapsing of Appropriations**

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

**G. Cash and Investments**

To improve cash management, cash received by the City, other than in segregated accounts or with fiscal agents, is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

Cash and cash equivalents that are held separately for the City by fiscal agents, and are not held within the City treasury, are recorded on the financial statements as "cash with fiscal agent".

During 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, U.S. money market accounts and nonnegotiable certificates of deposit. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

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 shares price, which is the price the investment could be sold for on December 31, 2010.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2010 was \$78,031, which includes \$55,739 assigned from other City funds.

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

An analysis of the City's investments at year end is provided in Note 4.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**H. Loans Receivable**

Loans receivable represent the right to receive payment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. Reported loans receivable is offset by a fund balance reserve in the governmental funds for the long-term portion not expected to be collected in the subsequent year. This indicates that it does not constitute available expendable resources even though it is a component of current net assets. See Note 8 for further information on the City's loans receivable.

**I. Notes Receivable**

Notes receivable represent the right to receive payment on notes issued to the Community Improvement Corporation of St. Marys (CIC). These notes are based upon written agreements between the City and the CIC. Reported notes receivable is offset by a fund balance reserve in the governmental funds for the long-term portion not expected to be collected in the subsequent year. This indicates that it does not constitute available expendable resources even though it is a component of current net assets. See Note 9 for further information on the City's notes receivable.

**J. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2010 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**K. Inventories of Materials and Supplies**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

On the governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimates Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land Improvements	20 – 25 years	20 – 25 years
Buildings	20 – 25 years	25 years
Building Improvements	20 – 25 years	25 years
Equipment and Machinery	7 – 15 years	7 – 25 years
Vehicles	7 – 10 years	7 – 10 years
Infrastructure	20 – 40 years	10 – 50 years

**M. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on department and length of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**N. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bond anticipation notes payable are recognized as a liability on the governmental fund financial statements when due.

**O. Interfund Balances**

On fund financial statements, amounts due to/from other funds resulting from time lag between payment dates are classified as "due to/from other funds". Interfund balances resulting from loan transactions between funds are reported as "interfund loans receivable/payable".

These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**P. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports amounts representing encumbrances, materials and supplies inventory, prepayments, loans, notes and restricted assets as fund balance reserves in the governmental fund financial statements.

**R. Restricted Assets**

Restricted assets represent utility deposits from customers that are restricted because their use is limited to the payment of unpaid utility bills or refunding the deposit to the customer. In addition, restricted assets represent permissive tax monies held by Auglaize County.

**CITY OF ST. MARYS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**S. Estimates**

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

**T. Capital Contributions**

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. Capital contributions are reported as such in the statement of activities and as revenue in the proprietary fund financial statements. During 2010, the City's governmental activities received \$171,488 in capital contributions from outside entities.

**U. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily consist of monies held for law enforcement and education and for swimming pool operations.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**V. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. In accordance with the implementation GASB Statement No. 51, the City is required to report intangible assets on a separate line in Note 11 and should reflect intangible assets as indicated in the financial statements. At December 31, 2010, the City did not have any intangible assets.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

**B. Restatement of Net Assets**

The City's net assets have been restated at December 31, 2009 for an adjustment to the landfill closure/post-closure liability due to accounting change in the estimation of the total cost remaining to close the landfill as previously reported by the City. The change in the City's long-term obligations had the following effect on net assets as previously reported by the business-type activities:

	<b>Business-type Activities</b>	<b>Refuse Fund</b>
Net assets, December 31, 2009	\$27,294,362	\$106,740
Adjustment to landfill closure/post-closure liability	452,630	452,630
Restated net assets, December 31, 2009	\$27,746,992	\$559,370

See Note 13 for the effect of the change on long-term obligation balances as previously reported by the City at December 31, 2009.

**C. Deficit Fund Balances**

<b>Non-major governmental funds:</b>	
Police pension	\$36,501
Fire pension	38,087
Special assessment bond retirement	195,975

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the special assessment bond retirement fund (a non-major governmental fund) resulted from the reporting of an interfund loan as a fund liability rather than as another financing source since the interfund loan is subject to repayment. The deficit fund balances in the other non-major governmental funds resulted from adjustments for accrued liabilities. These deficit balances will be eliminated as resources become available to liquidate the liabilities.

**4. DEPOSITS AND INVESTMENTS**

State Statutes classify monies held by the City into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 that the City has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must 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 in interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and,
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of Ohio, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Restricted cash with fiscal agent:** At year end, the City had \$32,920 on deposit with a financial institution for permissive tax monies held by Auglaize County. The data regarding insurance and collateralization can be obtained from the Auglaize County financial report for the year ended December 31, 2010. This amount is not included in "investments" below.

**Restricted assets:** At year end, the City had various deposits which were restricted (See Note 19). These amounts are included in "deposits with financial institutions" below.

**A. Deposits with Financial Institutions**

At December 31, 2010, the carrying amount of all City deposits was \$16,347,064. As of December 31, 2010, \$1,500,000 of the City's bank balance of \$16,484,891 was covered by the Federal Deposit Insurance Corporation, and \$14,984,891 was exposed to custodial risk as discussed below.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**B. Investments**

As of December 31, 2010, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>More than 24 months</u>
FHLB	\$ 994,190		\$ 994,190
FHLMC	1,006,470		1,006,470
FNMA	1,000,340		1,000,340
U.S. Treasury money market mutual funds	499,010	\$ 499,010	
STAR Ohio	5,000,514	5,000,514	
<b>Total</b>	<b>\$8,500,524</b>	<b>\$5,499,524</b>	<b>\$3,001,000</b>

At December 31, 2010, the weighted average maturity of investments is 1.39 years.

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

**Credit Risk:** STAR Ohio and the U.S. Treasury money market mutual funds carry a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, Inc., respectively.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**Concentration of Credit Risk:** The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 994,190	11.70
FHLMC	1,006,470	11.84
FNMA	1,000,340	11.77
U.S. Treasury money market mutual funds	499,010	5.87
STAR Ohio	5,000,514	58.82
<u>Total</u>	<u>\$8,500,524</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<b>Cash and investments per note disclosure:</b>	
Carrying amount of deposits	\$16,347,064
Investments	8,500,524
Restricted cash with fiscal agent	32,920
<b>Total</b>	<u><u>\$24,880,508</u></u>

<b>Cash and investments per statement of net assets:</b>	
Governmental activities	\$11,957,784
Business-type activities	12,827,660
Agency funds	95,064
<b>Total</b>	<u><u>\$24,880,508</u></u>

**5. INTERFUND TRANSACTIONS**

**A.** Transfers in and out consisted of the following, as reported in the fund financial statements for the year ended December 31, 2010:

<b>Transfers out of general fund and into:</b>	
Electric fund	\$ 832,390
Non-major governmental funds	277,854
<b>Transfers out of non-major governmental funds and into:</b>	
Non-major governmental funds	49,067
<b>Total</b>	<u><u>\$1,159,311</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**5. INTERFUND TRANSACTIONS (Continued)**

Transfers between governmental funds are eliminated for reporting on the statement of activities. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund loans receivable and payable consisted of the following, as reported in the fund financial statements for the year ended December 31, 2010:

**Interfund loans receivable in the electric fund from:**

Non-major governmental funds	<u>\$219,920</u>
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Interfund loans between governmental funds are eliminated for reporting on the statement of net assets. Interfund loans between governmental and business-type activities are reported as a component of "internal balance" on the statement of net assets.

- C.** Due to/from other funds consisted of the following, as reported in the fund financial statements for the year ended December 31, 2010:

**Due to general fund from:**

Electric fund	<u>\$63,152</u>
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These balances resulted from the time lag between the dates in which payments between the funds are made. Amounts due to/from other funds between governmental and business-type activities are reported as a component of "internal balance" on the statement of net assets.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**6. PROPERTY TAXES (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of St. Marys. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010 was \$3.32 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<b>Real property:</b>	
Residential/agricultural	\$ 95,957,130
Commercial/industrial/mineral	35,796,030
<b>Public utility:</b>	
Real	8,970
Personal	306,590
Total assessed value	<u><u>\$132,068,720</u></u>

**7. LOCAL INCOME TAX**

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City, by ordinance, allocates 1 percent of the income tax revenues to the general fund (0.72%), the street construction and maintenance fund (a non-major governmental fund) (0.18%), and the capital improvements fund (a non-major governmental fund) (0.10%). The other 0.5 percent is allocated to the voted income tax fund (a non-major governmental fund). For 2010, in the fund financial statements, income tax revenue credited to the general fund, voted income tax fund (a non-major governmental fund), capital improvements fund (a non-major governmental fund), and street construction and maintenance fund (a non-major governmental fund), totaled \$2,148,811, \$1,094,152, \$239,875, and \$431,765, respectively.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**8. LOANS RECEIVABLE**

Loans receivable represent low interest loans for development projects and home improvements granted to eligible City businesses and residents under the Community Development Block Grant (CDBG) program, a federal grant program which is accounted for in the CDBG fund (a non-major governmental fund). The loans have an annual interest rate of 2.75% - 4.50% and are repaid over periods ranging from seven to thirty years.

A summary of loans receivable activity during 2010 follows:

<u>Loans receivable:</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>
Business loans	\$831,281	\$359,141	(\$91,224)	\$1,099,198

**9. NOTES RECEIVABLE**

Notes receivable represent amounts issued to the Community Improvement Corporation of St. Marys (CIC) for the improvement of storefronts within the City that will be leased to outside entities, specifically the St. Marys City School District Board of Education. The CIC is charged with collecting lease payments from the lessee beginning in 2011 in order to repay the note principal to the City. The note was issued October 1, 2010 for \$150,000, has an annual interest rate of 1.00% and is to be repaid on a quarterly basis over the next 20 years. At December 31, 2010 the amount owed to the City was \$150,000.

A summary of notes receivable activity during 2010 follows:

<u>Notes receivable:</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>
Notes	\$0	\$150,000	\$0	\$150,000

**10. RECEIVABLES**

Receivables at December 31, 2010 consisted of taxes, accounts (billings for user charged services), special assessments, loans, notes, accrued interest and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2010.

A summary of the principal items of receivables reported on the statement of net assets follows:

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Income taxes	\$ 782,402	
Real and other taxes	533,810	\$ 65,737
Accounts	57,203	1,829,280
Special assessments	334,112	576
Loans	1,099,198	
Notes	150,000	
Accrued interest	12,456	
Due from other governments	415,814	3,592
Total	<u>\$3,384,995</u>	<u>\$1,899,185</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**10. RECEIVABLES (Continued)**

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are special assessments, loans and notes. Special assessments will be collected over the life of the assessment. Loans and notes will be collected over the term of the respective loan and note agreements (See Note 8 and Note 9).

**11. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

<b>Governmental Activities:</b>	<b>Balance 12/31/09</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 12/31/10</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,893,545	\$ 25,695		\$ 1,919,240
Construction in progress		120,942		120,942
Total capital assets, not being depreciated	<u>1,893,545</u>	<u>146,637</u>		<u>2,040,182</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	3,789,542	396,361		4,185,903
Buildings and improvements	1,397,006	15,867		1,412,873
Equipment and furniture	1,035,298	64,580		1,099,878
Vehicles	3,524,466	198,435		3,722,901
Infrastructure	21,158,974	859,362		22,018,336
Total capital assets, being depreciated	<u>30,905,286</u>	<u>1,534,605</u>		<u>32,439,891</u>
<b>Less: accumulated depreciation:</b>				
Land improvements	(1,003,128)	(152,945)		(1,156,073)
Buildings and improvements	(896,200)	(34,365)		(930,565)
Equipment and furniture	(590,191)	(55,097)		(645,288)
Vehicles	(2,267,924)	(206,940)		(2,474,864)
Infrastructure	(8,799,364)	(965,564)		(9,764,928)
Total accumulated depreciation	<u>(13,556,807)</u>	<u>(1,414,911)</u>		<u>(14,971,718)</u>
Total capital assets, net	<u>\$19,242,024</u>	<u>\$266,331</u>	<u>\$0</u>	<u>\$19,508,355</u>

Depreciation expense was charged to the City's programs/functions as follows:

<b>Governmental activities:</b>	<b>Depreciation Expense</b>
General government	\$ 41,299
Security of persons and property	172,148
Public health and welfare	6,815
Transportation	1,047,526
Community environment	49,617
Leisure time activities	94,506
Capital assets held by the internal service funds are charged to various functions based upon their usage of the capital assets	3,000
Total depreciation expense	<u>\$1,414,911</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

<b>Business-type Activities:</b>	<b>Balance 12/31/09</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 12/31/10</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,194,470			\$ 1,194,470
Construction in progress	11,420,862	\$ 50,744	(\$11,471,606)	
Total capital assets, not being depreciated	<u>12,615,332</u>	<u>50,744</u>	<u>(11,471,606)</u>	<u>1,194,470</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	5,118,981			5,118,981
Buildings and improvements	5,190,850	11,471,606		16,662,456
Equipment and furniture	10,883,935	241,653		11,125,588
Vehicles	2,615,774	138,341		2,754,115
Infrastructure	19,203,558	576,827		19,780,385
Total capital assets, being depreciated	<u>43,013,098</u>	<u>12,428,427</u>		<u>55,441,525</u>
<b>Less: accumulated depreciation:</b>				
Land improvements	(2,818,619)	(186,751)		(3,005,370)
Buildings and improvements	(4,006,941)	(358,544)		(4,365,485)
Equipment and furniture	(8,854,152)	(271,827)		(9,125,979)
Vehicles	(2,043,088)	(115,152)		(2,158,240)
Infrastructure	(8,181,896)	(504,991)		(8,686,887)
Total accumulated depreciation	<u>(25,904,696)</u>	<u>(1,437,265)</u>		<u>(27,341,961)</u>
Total capital assets, net	<u>\$29,723,734</u>	<u>\$11,041,906</u>	<u>(\$11,471,606)</u>	<u>\$29,294,034</u>

Depreciation expense was charged to the City's enterprise funds as follows:

<b>Business-type activities:</b>	<b>Depreciation Expense</b>
Water fund	\$ 240,239
Sewer fund	489,110
Electric fund	589,361
Refuse fund	118,555
Total depreciation expense	<u>\$1,437,265</u>

**12. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws.

City employees earn vacation at varying rates depending on length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Payment of accrued unused sick leave is made to each employee having ten or more years of continuous service with the City upon retirement under the applicable pension system. The maximum amount of sick leave that is paid upon retirement differs between the policies.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**12. COMPENSATED ABSENCES (Continued)**

Compensatory leave for supervisors and police department employees, including sergeants, officers, and dispatchers, is earned at a rate of one and one-half times the actual hours worked in excess of eight hours per day or in excess of the employee's regularly scheduled work week. Compensatory leave may accumulate throughout the year but any unused balance as of December 31 of each year may not exceed forty hours for supervisors, sergeants and officers, and thirty-two hours for dispatchers. Upon termination of employment, employees are entitled to receive, in cash, any remaining balance of unused compensatory time.

**13. LONG-TERM OBLIGATIONS**

Governmental activities changes in long-term obligations for the year ended December 31, 2010 were as follows:

<u>Governmental activities:</u>	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2010</u>	<u>Due Within</u>
<u>Long-term obligations:</u>					<u>One Year</u>
Bond anticipation notes payable		\$100,000		\$100,000	\$100,000
Compensated absences payable	\$391,948	100,377	(\$88,843)	403,482	79,966
Total long-term obligations	<u>\$391,948</u>	<u>\$200,377</u>	<u>(\$88,843)</u>	<u>\$503,482</u>	<u>\$179,966</u>

Compensated absences will be paid out of the fund from which the employee's salary is paid, which for the City is primarily the general fund, the street construction and maintenance fund (a non-major governmental fund), and the city garage internal service fund.

**Bond anticipation notes** - On April 22, 2010, the City entered into bond anticipation notes for \$100,000 to finance the 2010 street program. The notes carry an interest rate of 2.48% and mature on April 22, 2011. The bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the City's bond anticipation notes are reported as long-term obligations as the City has consummated refinancing on a long-term basis prior to the issuance of the financial statements.

Long-term obligations of the business-type activities have been restated by \$452,630 to properly reflect the estimated cost remaining to close the City's landfill as of December 31, 2009. The effect of these changes in business-type activities long-term obligations and 2010 long-term obligation activity is as follows:

<u>Business-type activities:</u>	<u>Interest</u>	<u>Restated</u>			<u>Balance</u>	<u>Amount</u>
	<u>Rate</u>	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/10</u>	<u>Due Within</u>
<u>General obligation bonds:</u>						<u>One Year</u>
OMEGA JV2 electric project	3.81%	\$ 1,273,053		(\$ 88,880)	\$ 1,184,173	\$ 93,638
<b>OWDA loan:</b>						
Wastewater treatment plant	3.36%	11,437,005		(441,298)	10,995,707	421,717
<b>Other long-term obligations:</b>						
Compensated absences payable		416,738	\$70,265	(85,918)	401,085	84,876
Landfill closure/post-closure liability		3,176,410		(96,430)	3,079,980	
Total other long-term obligations		<u>3,593,148</u>	<u>70,265</u>	<u>(182,348)</u>	<u>3,481,065</u>	<u>84,876</u>
Total long-term obligations		<u>\$16,303,206</u>	<u>\$70,265</u>	<u>(\$712,526)</u>	<u>\$15,660,945</u>	<u>\$600,231</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

Compensated absences will be paid out of the fund from which the employee's salary is paid, which includes the water, sewer, electric, and refuse enterprise funds.

See Note 20 for detail of landfill closure/post-closure costs.

**General obligation bonds** - The general obligation bonds were issued in order to provide the financial resources for the OMEGA JV2 project (see Note 2.A). The proceeds of this issuance were combined with the general obligation bond issuance proceeds of the other participants in the OMEGA JV2 project, and were used for the acquisition, construction, and equipping of OMEGA JV2. The bonds were issued during 2001, mature in 2020, and carry an interest rate of 3.81%. Principal and interest payments are paid out of the electric fund. The bonds are supported by the full faith and credit of the City, and are being retired through electric use charges and other operating revenues of the electric fund.

**OWDA loan** - The City has pledged future sewer revenues to repay an Ohio Water Development Authority (OWDA) loan related to the construction of a new wastewater treatment plant. The loan is payable solely from sewer fund revenues and is payable through 2029 at an interest rate of 3.36%. Annual principal and interest payments on the loan are expected to require 75.59% of net revenues and 38.40% of total revenues. The total principal and interest remaining to be paid on the loan is \$14,965,537. Principal and interest paid for the current year was \$821,405, total net revenues were \$1,086,707 and total revenues were \$2,139,148. The loan is supported by the full faith and credit of the City.

At December 31, 2010, the principal and interest requirements to retire the business-type activities long-term bonds and OWDA loan are as follows:

Year Ended	General Obligation Bonds			OWDA Loan		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 93,638	\$ 58,787	\$ 152,425	\$ 421,717	\$ 365,943	\$ 787,660
2012	98,586	53,871	152,457	436,006	351,654	787,660
2013	103,725	48,695	152,420	450,779	336,881	787,660
2014	109,054	43,249	152,303	466,052	321,608	787,660
2015	114,763	37,524	152,287	481,843	305,817	787,660
2016 - 2020	664,407	97,538	761,945	2,665,451	1,272,848	3,938,299
2021 - 2025				3,148,662	789,636	3,938,298
2026 - 2029				2,925,197	225,443	3,150,640
Total	<u>\$1,184,173</u>	<u>\$339,664</u>	<u>\$1,523,837</u>	<u>\$10,995,707</u>	<u>\$3,969,830</u>	<u>\$14,965,537</u>

**A. Defeased Debt**

In 2004, the City advance refunded mortgage revenue bonds in the amount of \$3,065,000. The proceeds of these bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. During 2010, the advance refunded mortgage revenue bonds were completely retired and there is no amount outstanding at December 31, 2010.

In 2005, the City advance refunded revenue bonds in the amount of \$770,000. The proceeds of these bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. During 2010, the advance refunded revenue bonds were completely retired and there is no amount outstanding at December 31, 2010.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**B. Legal Debt Margins**

At December 31, 2010, the City had a legal voted debt margin of \$13,671,241 and a legal un-voted debt margin of \$7,263,780.

**14. SHORT-TERM OBLIGATIONS**

Governmental activities changes in short-term obligations for the year ended December 31, 2010 were as follows:

<b>Governmental Activities:</b>	<b>Series</b>	<b>Interest Rate</b>	<b>Balance 12/31/09</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/31/10</b>	<b>Amount Due Within One Year</b>
<b>Bond anticipation notes:</b>							
Street program	2009	2.75%	\$40,000	\$0	(\$40,000)	\$0	\$0

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City's bond anticipation notes are supported by the full faith and credit of the City. The liability for the notes was presented in the fund which received the proceeds and had a maturity of one year.

**15. RISK MANAGEMENT**

**A. Property and Liability**

The City 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. The City has entered into contracts with various insurance agencies for the following coverage and deductibles:

<b>Type of Coverage</b>	<b>Coverage</b>	<b>Deductible</b>
General Liability	\$6,000,000	
Law Enforcement Liability	6,000,000	\$5,000
Public Officials Liability	6,000,000	5,000
Employers Liability	6,000,000	
Employee Benefits Liability	6,000,000	
Automobile Fleet Liability	6,000,000	1,000
Buildings and Contents	78,589,479	1,000
Boiler and Machinery	40,000,000	Various
Inland Marine and Equipment	2,961,555	1,000

There were no significant reductions in insurance coverage from 2009 and no insurance settlement has exceeded insurance coverage during the last three years.

All employees of the City are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**15. RISK MANAGEMENT (Continued)**

**B. Employee Medical Benefits**

The City has elected to provide employee group health insurance benefits through a fully insured program with Anthem. Employees have a choice of two insurance plans, which are a traditional PPO plan and a Lumenos health savings account (HSA) plan.

The monthly premiums for the PPO plan are \$475.65 for single coverage and \$1,395.44 for family coverage, and the employee share ranges from 21% to 31% of the premium amount. The PPO plan has an in-network deductible of \$200 for single coverage and \$600 for family coverage. Maximum out-of-pocket limits for the PPO plan are \$1,000 per year for single coverage and \$2,000 per year for family coverage. The PPO plan has a maximum lifetime coverage limit of \$5,000,000.

The monthly premiums for the HSA plan are \$345.51 for single coverage and \$1,013.13 for family coverage, and the employee share ranges from 9% to 25% of the premium amount. The HSA plan has an in-network deductible of \$2,000 for single coverage and \$4,000 for family coverage. Maximum out-of-pocket limits for the HSA plan are equal to the in-network deductibles, \$2,000 per year for single coverage and \$4,000 per year for family coverage. The HSA plan has a maximum lifetime coverage limit of \$5,000,000.

**C. Workers' Compensation**

For 2010, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

**16. PENSION PLANS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**16. PENSION PLANS (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$309,339, \$281,981, and \$258,176, respectively; 100% has been contributed for 2010, 2009 and 2008. Contributions to the member-directed plan for 2010 were \$700 made by the City and \$500 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$115,008 and \$126,806 for the year ended December 31, 2010, \$111,325 and \$125,202 for the year ended December 31, 2009 and \$104,059 and \$123,758, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 75.16% has been contributed for police and 73.82% has been contributed for firefighters for 2010.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**17. POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$175,720, \$203,858, and \$258,176, respectively; 100% has been contributed for 2010, 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**17. POSTRETIREMENT BENEFIT PLANS (Continued)**

**B. Ohio Police and Fire Pension Fund**

**Plan Description** - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an Internal Revenue Service Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**17. POSTRETIREMENT BENEFIT PLANS (Continued)**

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$60,886 and \$49,620 for the year ended December 31, 2010, \$58,937 and \$48,992 for the year ended December 31, 2009, and \$55,090 and \$48,427, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 75.16% has been contributed for police and 73.82% has been contributed for firefighters for 2010.

**18. BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP);
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement; and
5. Investments are reported at fair market value (GAAP) rather than at cost (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund.

<b>Net Change in Fund Balance</b>	
	<b>General</b>
Budget basis	(\$267,355)
Net adjustment for revenue accruals	(20,740)
Net adjustment for expenditure accruals	(10,887)
Adjustment for encumbrances	166,653
GAAP basis	(\$132,329)

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**19. RESTRICTED ASSETS**

Refundable electric customer deposits are presented as restricted assets on the proprietary fund statement of net assets. The City also has permissive tax monies on deposit with Auglaize County in the amount of \$32,920 (cash with fiscal agent). At December 31, 2010, restricted assets for business-type activities were as follows:

	<b>Electric</b>
<b>Restricted assets:</b>	<b>fund</b>
<b>Cash and cash equivalents:</b>	
Refundable deposits	\$302,598

**20. LANDFILL CLOSURE/POST-CLOSURE COSTS**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each year-end.

The City is in the process of closing the landfill. The landfill closure and post-closure liability of \$3,079,980 at December 31, 2010 represents the cumulative amount for closure and post-closure care. The amounts are based on what it would cost to perform all closure and post-closure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for post-closure care and remediation or containment of environmental hazards at the landfill. The City has not been in compliance with guidelines from the Ohio Environmental Protection Agency since 1997, the last year the City passed the financial accountability test proving the ability to self-fund these future costs.

**21. CONTRACTUAL COMMITMENTS**

At December 31, 2010, the City had the following contractual commitments:

<b>Contractor</b>	<b>Contract Amount</b>	<b>Amount Paid</b>	<b>Contract Balance</b>
Altec Industries, Inc.	\$ 170,943		\$ 170,943
American Municipal Power-Ohio	40,560,253	\$38,192,204	2,368,049
Arcadis FPS, Inc.	285,000	243,862	41,138
Bowman Construction, Inc	195,966	120,942	75,024
Celina Landfill	585,000	553,751	31,249
DUECO	166,758		166,758
Harris Miniature Golf	229,500	204,000	25,500
Kohli & Kaliher Associates	107,358	60,611	46,747
OMEGA Joint Venture Two	192,000	156,113	35,887
PAB Construction Company	589,871	577,662	12,209
Poggemeyer Design Group	100,800	56,653	44,147
Precise Boring Of Ohio	930,573	839,351	91,222
Total contractual commitments	\$44,114,022	\$41,005,149	\$3,108,873

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**22. CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

**B. Litigation**

The City is party to legal proceedings seeking damages or injunctive relief, generally incidental to operations and some pending projects. The City is of the opinion that the ultimate disposition of these legal proceedings will not have a material adverse effect, if any, on the financial condition of the City.

**23. SIGNIFICANT SUBSEQUENT EVENT**

The City issued bond anticipation notes on April 1, 2011 in the amount of \$95,000 at an interest rate of 1.95% that mature on April 1, 2012. These bond anticipation notes were used to refund a portion of the bond anticipation notes issued on April 22, 2010.

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# Dave Yost • Auditor of State

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

City of St. Marys  
Auglaize County  
101 East Spring Street  
St. Marys, Ohio 45885

To the City Mayor and Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 24, 2011. 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 City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the City'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 24, 2011.

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

October 24, 2011



# Dave Yost • Auditor of State

CITY OF ST MARYS

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 29, 2011