

CITY OF ST. MARYS

AUDIT REPORT

For the Year Ended December 31, 1999

Charles E. Harris & Associates, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st
Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

City Council
City of Saint Marys
Saint Marys, Ohio 45885

We have reviewed the Independent Auditor's Report of the City of Saint Marys, Auglaize County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Saint Marys is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 8, 2000

CITY OF ST. MARYS
AUDIT REPORT
For the Year Ended December 31, 1999

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CITY OF ST. MARYS
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ELECTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
Greg Freewalt	Mayor	1/1/96 to 12/31/99	(A)
Douglas Riesen	City Auditor	7/1/98 to 12/31/99	(B)
Sue Pfeffenberger	City Treasurer	1/1/99 to 12/31/00	(B)
Dean Hobler	Council President	1/1/98 to 12/31/99	(A)
Michael Kleinhenz	Council	1/1/98 to 12/31/99	(A)
Dennis Vossler	Council	1/1/98 to 12/31/99	(A)
Bill Slemmons	Council	1/1/98 to 12/31/99	(A)
Elois Wierwille	Council	1/26/99 to 12/31/99	(A)
Daniel Hoelscher	Council	1/1/98 to 12/31/99	(A)
Ronald Ginter	Council	1/1/98 to 12/31/99	(A)
Michael Bernard	Council	2/1/99 to 12/31/99	(A)

(A) \$20,000, The Cincinnati Insurance Company

(B) \$500,000, The Cincinnati Insurance Company

CITY OF ST. MARYS
AUDIT REPORT
For the Year Ended December 31, 1999

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Types:

General Fund
Income Tax Fund
Unclaimed Moneys Fund

Special Revenue Fund Types:

Street Construction, Maintenance & Repair Fund
State Highway Improvement Fund
COPS Grant Fund
Drug Law Enforcement Fund
Law Enforcement Fund
Indigent Drivers Alcohol Treatment Fund
Donations Diamond #7 Fund
Fire Safety House Fund
Memorial Bridge Maintenance Fund
Community Development Block Grant Fund
Police Pension Fund
Fire Pension fund

Debt Service Fund Type:

General Bond Retirement Fund
Special Assessment Bond Retirement Fund
Manuscript Bond Retirement Fund

Capital Project Fund Type:

Special Assessment Fund
Motor Vehicle Permissive Tax Fund
Capital Improvement Fund
Park Improvement Fund
Memorial Bridge Fund
Ambulance Fund
Voted Tax Fund
Issue 2 Fund
K.C. Geiger Park Improvement Fund

CITY OF ST. MARYS
AUDIT REPORT
For the Year Ended December 31, 1999

INDEX OF FUNDS - (Continued)

PROPRIETARY FUND TYPES:

Enterprise Fund Type:

Swimming Pool Fund

Water Fund

Sewer Fund

Electric Fund

Refuse Fund

Internal Service Fund Types:

Self-Insurance Fund

City Garage Fund

FIDUCIARY FUND TYPES:

Agency Fund Types:

Auglaize County Sewer District Fund

Street Opening Fund

Demolition Trust Fund

Rent Deposit Fund

Outside Villages Municipal Income Tax Fund

Payroll Fund

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

**The Honorable Mayor and Members of Council
City of St. Marys
St. Marys, Ohio**

We have audited the accompanying general purpose financial statements of City of St. Marys (the City), as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

***Charles E. Harris & Associates, Inc.*
September 14, 2000**

City of St. Marys

Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
Assets				
Equity in pooled cash and cash equivalents	\$3,343,220	\$756,324	\$33,934	\$3,153,504
Cash and cash equivalents in segregated accounts	0	0	0	0
Receivables:				
Property and other taxes	250,046	66,022	0	4,326
Municipal income taxes	176,881	0	0	88,440
Accounts	29,567	50	0	0
Special assessments	0	90,306	154,462	51,820
Intergovernmental	21,050	17,761	0	324,285
Accrued interest	17,809	0	0	3,335
Notes	0	891,676	0	0
Due from other funds	0	0	0	0
Materials and supplies inventory	26,370	19,491	0	0
Prepaid items	16,239	616	0	0
Restricted assets:				
Equity in pooled cash and cash equivalents	0	0	0	0
Cash and cash equivalents with escrow and fiscal agents	0	0	0	0
Accrued interest	0	0	0	0
Unamortized bond issue costs	0	0	0	0
Fixed assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other debits				
Amount available in debt service fund for retirement of special assessment obligations	0	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0	0
Amount to be provided for retirement of special assessment obligations	0	0	0	0
Total assets and other debits	<u>\$3,881,182</u>	<u>\$1,842,246</u>	<u>\$188,396</u>	<u>\$3,625,710</u>

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$4,056,902	\$116,697	\$29,753	\$0	\$0	\$11,490,334
0	28,694	0	0	0	28,694
0	0	0	0	0	320,394
0	0	690,461	0	0	955,782
102,179	0	0	0	0	131,796
2,270	0	0	0	0	298,858
0	0	0	0	0	363,096
3,755	326	0	0	0	25,225
0	0	0	0	0	891,676
7,976	5,174	0	0	0	13,150
336,342	3,730	0	0	0	385,933
73,215	0	0	0	0	90,070
6,551,962	0	0	0	0	6,551,962
1,108,312	0	0	0	0	1,108,312
37,866	0	0	0	0	37,866
272,287	0	0	0	0	272,287
16,654,306	76,597	0	5,520,477	0	22,251,380
0	0	0	0	33,934	33,934
0	0	0	0	530,898	530,898
0	0	0	0	100,956	100,956
<u>\$29,207,372</u>	<u>\$231,218</u>	<u>\$720,214</u>	<u>\$5,520,477</u>	<u>\$665,788</u>	<u>\$45,882,603</u>

(continued)

City of St. Marys

Combined Balance Sheet
All Fund Types and Account Groups - (continued)
December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, fund equity, and other credits</u>				
Liabilities				
Accounts payable	\$4,230	\$671	\$0	\$153,549
Contracts payable	0	0	0	146,525
Accrued wages payable	33,000	5,655	0	975
Compensated absences payable	3,362	572	0	0
Retainage payable	0	0	0	102,759
Intergovernmental payable	12,998	1,976	0	551
Due to other funds	2,030	512	0	0
Deferred revenue	250,046	156,328	154,462	51,820
Undistributed assets	0	0	0	0
Payroll withholdings	0	0	0	0
Accrued interest payable	0	0	0	0
Notes payable	0	0	0	0
Loans payable	0	0	0	0
Claims payable	0	0	0	0
Payable from restricted assets:				
Refundable deposits	0	0	0	0
Revenue bonds payable	0	0	0	0
Mortgage revenue bonds payable	0	0	0	0
Accrued interest payable	0	0	0	0
Special assessment bonds payable with governmental commitment	0	0	0	0
Revenue bonds payable (net of \$232,702 unamortized loss on advance refunding)	0	0	0	0
Mortgage revenue bonds payable (net of \$345,351 unamortized loss on advance refunding)	0	0	0	0
Landfill closure/postclosure costs	0	0	0	0
Fire pension liability	0	0	0	0
Total liabilities	<u>305,666</u>	<u>165,714</u>	<u>154,462</u>	<u>456,179</u>
Fund equity and other credits				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Retained earnings:				
Reserved for replacement and improvements	0	0	0	0
Reserved for operations	0	0	0	0
Unreserved	0	0	0	0
Fund balance:				
Reserved for notes receivable	0	891,676	0	0
Reserved for inventory	26,370	19,491	0	0
Reserved for encumbrances	65,895	85,149	0	173,949
Unreserved	3,483,251	680,216	33,934	2,995,582
Total fund equity and other credits	<u>3,575,516</u>	<u>1,676,532</u>	<u>33,934</u>	<u>3,169,531</u>
Total liabilities, fund equity, and other credits	<u>\$3,881,182</u>	<u>\$1,842,246</u>	<u>\$188,396</u>	<u>\$3,625,710</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$640,262	\$2,735	\$0	\$0	\$0	\$801,447
973,212	0	0	0	0	1,119,737
44,276	667	0	0	0	84,573
305,593	4,896	0	0	183,240	497,663
79,552	0	0	0	0	182,311
85,923	1,719	710,262	0	89,711	903,140
10,608	0	0	0	0	13,150
0	0	0	0	0	612,656
0	0	8,712	0	0	8,712
0	0	1,240	0	0	1,240
88,270	0	0	0	0	88,270
3,670,000	0	0	0	140,000	3,810,000
0	0	0	0	102,100	102,100
0	26,944	0	0	0	26,944
188,235	0	0	0	0	188,235
250,000	0	0	0	0	250,000
290,000	0	0	0	0	290,000
32,639	0	0	0	0	32,639
0	0	0	0	134,890	134,890
2,912,298	0	0	0	0	2,912,298
3,704,649	0	0	0	0	3,704,649
2,152,277	0	0	0	0	2,152,277
0	0	0	0	15,847	15,847
<u>15,427,797</u>	<u>36,961</u>	<u>720,214</u>	<u>0</u>	<u>665,788</u>	<u>17,932,778</u>
0	0	0	5,520,477	0	5,520,477
1,649,764	6,142	0	0	0	1,655,906
3,288,287	0	0	0	0	3,288,287
3,015,000	0	0	0	0	3,015,000
5,826,527	188,115	0	0	0	6,014,642
0	0	0	0	0	891,676
0	0	0	0	0	45,861
0	0	0	0	0	324,993
0	0	0	0	0	7,192,983
<u>13,779,578</u>	<u>194,257</u>	<u>0</u>	<u>5,520,477</u>	<u>0</u>	<u>27,949,825</u>
<u>\$29,207,375</u>	<u>\$231,218</u>	<u>\$720,214</u>	<u>\$5,520,477</u>	<u>\$665,788</u>	<u>\$45,882,603</u>

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City of St. Marys
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 1999

	Governmental Fund Types			Total (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
<u>Revenues</u>					
Property and other taxes	\$257,446	\$59,555	\$0	\$59,197	\$376,198
Municipal income taxes	2,230,786	0	0	1,071,430	3,302,216
Charges for services	249,874	0	0	2,478	252,352
Licenses and permits	53,268	0	0	0	53,268
Fines and forfeitures	18,600	948	0	0	19,548
Special assessments	0	338	67,419	35,114	102,871
Intergovernmental	528,439	274,510	0	402,270	1,205,219
Interest	302,841	87,678	0	138,435	528,954
Other	46,430	1,111	0	840,157	887,698
Total revenues	<u>3,687,684</u>	<u>424,140</u>	<u>67,419</u>	<u>2,549,081</u>	<u>6,728,324</u>
<u>Expenditures</u>					
Current:					
Security of persons and property	1,614,988	241,459	0	463,062	2,319,509
Public health	33,103	0	0	0	33,103
Leisure time activities	128,389	198	0	0	128,587
Community environment	17,857	135,967	0	0	153,824
Transportation	0	496,586	0	0	496,586
General government	588,487	0	0	3,280	591,767
Other	0	0	0	1,266	1,266
Capital outlay	177,100	0	0	1,765,305	1,942,405
Debt service:					
Principal retirement	75,000	160	59,520	0	134,680
Interest and fiscal charges	0	798	8,970	2,714	12,482
Total expenditures	<u>2,634,924</u>	<u>875,168</u>	<u>68,490</u>	<u>2,235,627</u>	<u>5,814,209</u>
Excess of revenues over (under) expenditures	<u>1,052,760</u>	<u>(451,028)</u>	<u>(1,071)</u>	<u>313,454</u>	<u>914,115</u>
<u>Other financing sources (uses)</u>					
Proceeds of bonds	0	0	2,126	43,874	46,000
Proceeds of notes	0	0	0	140,000	140,000
Proceeds of loans	177,100	0	0	0	177,100
Operating transfers - in	0	530,261	0	218,472	748,733
Operating transfers - out	(791,691)	0	(7,042)	0	(798,733)
Total other financing sources (uses)	<u>(614,591)</u>	<u>530,261</u>	<u>(4,916)</u>	<u>402,346</u>	<u>313,100</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	438,169	79,233	(5,987)	715,800	1,227,215
Fund balances at beginning of year	3,145,140	1,588,424	39,921	2,453,731	7,227,216
Increase (decrease) in reserve for inventory	(7,793)	8,875	0	0	1,082
Fund balances at end of year	<u>\$3,575,516</u>	<u>\$1,676,532</u>	<u>\$33,934</u>	<u>\$3,169,531</u>	<u>\$8,455,513</u>

See accompanying notes to the general purpose financial statements

City of St. Marys
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
 All Governmental Fund Types
 For the Year Ended December 31, 1999

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>						
Property and other taxes	\$526,644	\$257,446	(\$269,198)	\$120,412	\$59,555	(\$60,857)
Municipal income taxes	2,052,465	2,212,517	160,052	0	0	0
Charges for services	236,465	244,862	8,397	0	0	0
Licenses and permits	59,913	69,280	9,367	0	0	0
Fines and forfeitures	14,000	18,409	4,409	1,000	968	(32)
Special assessments	0	0	0	200	338	138
Intergovernmental	468,055	558,817	90,762	272,446	274,486	2,040
Interest	250,000	299,442	49,442	31,912	49,313	17,401
Revolving loan payments	0	0	0	112,527	215,009	102,482
Other	24,485	29,878	5,393	2,070	1,111	(959)
Total revenues	<u>3,632,027</u>	<u>3,690,651</u>	<u>58,624</u>	<u>540,567</u>	<u>600,780</u>	<u>60,213</u>
<u>Expenditures</u>						
Current:						
Security of persons and property	1,805,779	1,631,442	174,337	253,902	242,417	11,485
Public health	18,391	10,548	7,843	0	0	0
Leisure time activities	235,995	209,679	26,316	500	198	302
Community environment	20,000	17,857	2,143	384,900	174,459	210,441
Transportation	0	0	0	591,638	505,642	85,996
General government	805,341	583,077	222,264	0	0	0
Capital outlay	0	0	0	0	0	0
Debt service:						
Principal retirement	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total expenditures	<u>2,885,506</u>	<u>2,452,603</u>	<u>432,903</u>	<u>1,230,940</u>	<u>922,716</u>	<u>308,224</u>
Excess of revenues over (under) expenditures	<u>746,521</u>	<u>1,238,048</u>	<u>491,527</u>	<u>(690,373)</u>	<u>(321,936)</u>	<u>368,437</u>
<u>Other financing sources (uses)</u>						
Other financing uses	(83,469)	0	83,469	0	0	0
Proceeds of bonds	0	0	0	0	0	0
Proceeds of notes	0	0	0	0	0	0
Operating transfers - in	0	0	0	532,520	530,261	(2,259)
Operating transfers - out	(791,691)	(791,691)	0	0	0	0
Total other financing sources (uses)	<u>(875,160)</u>	<u>(791,691)</u>	<u>83,469</u>	<u>532,520</u>	<u>530,261</u>	<u>(2,259)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(128,639)</u>	<u>446,357</u>	<u>574,996</u>	<u>(157,853)</u>	<u>208,325</u>	<u>366,178</u>
Fund balances at beginning of year	2,808,371	2,808,371	0	456,825	456,825	0
Unexpended prior year encumbrances	2,182	2,182	0	1,091	1,091	0
Fund balances at end of year	<u>\$2,681,914</u>	<u>\$3,256,910</u>	<u>\$574,996</u>	<u>\$300,063</u>	<u>\$666,241</u>	<u>\$366,178</u>

See the accompanying notes to the financial statements

Debt Service Funds			Capital Projects Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$139,000	\$59,190	(\$79,810)
0	0	0	1,064,139	1,062,296	(1,843)
0	0	0	2,348	2,478	130
0	0	0	0	0	0
0	0	0	0	0	0
139,999	102,533	(37,466)	0	0	0
0	0	0	275,000	77,985	(197,015)
91	0	(91)	69,000	138,541	69,541
0	0	0	0	0	0
0	0	0	328,900	840,157	511,257
<u>140,090</u>	<u>102,533</u>	<u>(37,557)</u>	<u>1,878,387</u>	<u>2,180,647</u>	<u>302,260</u>
0	0	0	173,410	152,005	21,405
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	183,229	173,310	9,919
0	0	0	2,527,033	1,643,085	883,948
2,296,720	2,205,520	91,200	0	0	0
105,921	99,890	6,031	0	0	0
<u>2,402,641</u>	<u>2,305,410</u>	<u>97,231</u>	<u>2,883,672</u>	<u>1,968,400</u>	<u>915,272</u>
<u>(2,262,551)</u>	<u>(2,202,877)</u>	<u>59,674</u>	<u>(1,005,285)</u>	<u>212,247</u>	<u>1,217,532</u>
0	0	0	0	0	0
166,550	46,000	(120,550)	0	0	0
2,148,850	1,670,000	(478,850)	142,000	140,000	(2,000)
214,281	481,543	267,262	148,572	211,430	62,858
0	0	0	(6,051)	(6,051)	0
<u>2,529,681</u>	<u>2,197,543</u>	<u>(332,138)</u>	<u>284,521</u>	<u>345,379</u>	<u>60,858</u>
267,130	(5,334)	(272,464)	(720,764)	557,626	1,278,390
39,268	39,268	0	2,058,379	2,058,379	0
0	0	0	75,809	75,809	0
<u>\$306,398</u>	<u>\$33,934</u>	<u>(\$272,464)</u>	<u>\$1,413,424</u>	<u>\$2,691,814</u>	<u>\$1,278,390</u>

City of St. Marys
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
 All Governmental Fund Types
 For the Year Ended December 31, 1999

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property and other taxes	\$786,056	\$376,191	(\$409,865)
Municipal income taxes	3,116,604	3,274,813	158,209
Charges for services	238,813	247,340	8,527
Licenses and permits	59,913	69,280	9,367
Fines and forfeitures	15,000	19,377	4,377
Special assessments	140,199	102,871	(37,328)
Intergovernmental	1,015,501	911,288	(104,213)
Interest	351,003	487,296	136,293
Revolving loan payments	112,527	215,009	102,482
Other	355,455	871,146	515,691
Total revenues	<u>6,191,071</u>	<u>6,574,611</u>	<u>383,540</u>
<u>Expenditures</u>			
Current:			
Security of persons and property	2,233,091	2,025,864	207,227
Public health	18,391	10,548	7,843
Leisure time activities	236,495	209,877	26,618
Community environment	404,900	192,316	212,584
Transportation	591,638	505,642	85,996
General government	988,570	756,387	232,183
Capital outlay	2,527,033	1,643,085	883,948
Debt service:			
Principal retirement	2,296,720	2,205,520	91,200
Interest and fiscal charges	105,921	99,890	6,031
Total expenditures	<u>9,402,759</u>	<u>7,649,129</u>	<u>1,753,630</u>
Excess of revenues over (under) expenditures	<u>(3,211,688)</u>	<u>(1,074,518)</u>	<u>2,137,170</u>
<u>Other financing sources (uses)</u>			
Other financing uses	(83,469)	0	83,469
Proceeds of bonds	166,550	46,000	(120,550)
Proceeds of notes	2,290,850	1,810,000	(480,850)
Operating transfers - in	895,373	1,223,234	327,861
Operating transfers - out	(797,742)	(797,742)	0
Total other financing sources (uses)	<u>2,471,562</u>	<u>2,281,492</u>	<u>(190,070)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(740,126)	1,206,974	1,947,100
Fund balances at beginning of year	5,362,843	5,362,843	0
Unexpended prior year encumbrances	79,082	79,082	0
Fund balances at end of year	<u>\$4,701,799</u>	<u>\$6,648,899</u>	<u>\$1,947,100</u>

City of St. Marys
 Combined Statement of Revenues, Expenses,
 and Changes in Fund Equity
 All Proprietary Fund Types
 For the Year Ended December 31, 1999

	Enterprise	Internal Service	Total (Memorandum Only)
<u>Operating revenues</u>			
Charges for services	\$12,033,949	\$688,478	\$12,722,427
Tap-in fees	15,173	0	15,173
Other operating revenues	133,730	34,157	167,887
Total operating revenues	<u>12,182,852</u>	<u>722,635</u>	<u>12,905,487</u>
<u>Operating expenses</u>			
Personal services	2,714,939	53,812	2,768,751
Contractual services	1,005,105	91,552	1,096,657
Materials and supplies	8,168,516	183,612	8,352,128
Claims	0	518,443	518,443
Other operating expenses	5,481	0	5,481
Depreciation	920,596	13,892	934,488
Total operating expenses	<u>12,814,637</u>	<u>861,311</u>	<u>13,675,948</u>
Operating loss	<u>(631,785)</u>	<u>(138,676)</u>	<u>(770,461)</u>
<u>Non-operating revenues (expenses)</u>			
Gain on disposal of fixed assets	44,150	0	44,150
Loss on disposal of fixed assets	(2,197)	0	(2,197)
Grants	17,392	0	17,392
Interest Income	502,971	6,136	509,107
Interest expense	(644,564)	0	(644,564)
Total non-operating revenues (expenses)	<u>(82,248)</u>	<u>6,136</u>	<u>(76,112)</u>
Loss before operating transfers	(714,033)	(132,540)	(846,573)
Operating transfers - in	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Net loss	(664,033)	(132,540)	(796,573)
Retained earnings at beginning of year	12,850,008	320,655	13,170,663
Residual equity transfers - out	<u>(56,161)</u>	<u>0</u>	<u>(56,161)</u>
Retained earnings at end of year	<u>12,129,814</u>	<u>188,115</u>	<u>12,317,929</u>
Contributed capital at beginning of year	1,313,520	6,142	1,319,662
Contributed from governmental funds	300,000	0	300,000
Contributed from proprietary funds	36,244	0	36,244
Contributed capital at end of year	<u>1,649,764</u>	<u>6,142</u>	<u>1,655,906</u>
Total fund equity at end of year	<u>\$13,779,578</u>	<u>\$194,257</u>	<u>\$13,973,835</u>

See accompanying notes to the general purpose financial statements

City of St. Marys
 Combined Statement of Revenues, Expenses,
 and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
 All Proprietary Fund Types
 For the Year Ended December 31, 1999

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
Charges for services	\$13,199,690	\$12,843,615	(\$356,075)
Tap-in fees	2,000	15,173	13,173
Other revenues	182,170	179,706	(2,464)
Grants	0	17,392	17,392
Interest	381,000	437,214	56,214
Proceeds from sale of fixed assets	0	57,524	57,524
Proceeds of notes	2,000,000	2,000,000	0
Total revenues	<u>15,764,860</u>	<u>15,550,624</u>	<u>(214,236)</u>
<u>Expenses</u>			
Personal services	3,038,842	2,825,204	213,638
Contractual services	1,865,405	1,117,319	748,086
Materials and supplies	8,758,548	7,936,702	821,846
Other expenses	66,020	51,063	14,957
Capital outlay	4,854,136	3,725,666	1,128,470
Debt service:			
Principal retirement	547,663	547,663	0
Interest and fiscal charges	457,783	375,501	82,282
Total expenses	<u>19,588,397</u>	<u>16,579,118</u>	<u>3,009,279</u>
Excess of revenues under expenses	(3,823,537)	(1,028,494)	2,795,043
Operating transfers - in	610,000	10,000	(600,000)
Operating transfers - out	<u>(543,455)</u>	<u>(435,492)</u>	<u>107,963</u>
Excess of revenues under expenses and operating transfers	(3,756,992)	(1,453,986)	2,303,006
Fund balances at beginning of year	8,785,231	8,785,231	0
Unexpended prior year encumbrances	84,419	84,419	0
Fund balances at end of year	<u>\$5,112,658</u>	<u>\$7,415,664</u>	<u>\$2,303,006</u>

See accompanying notes to the general purpose financial statements

Internal Service Fund			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$772,000	\$686,152	(\$85,848)	\$13,971,690	\$13,529,767	(\$441,923)
0	0	0	2,000	15,173	13,173
112,800	34,157	(78,643)	294,970	213,863	(81,107)
0	0	0	0	17,392	17,392
2,560	6,077	3,517	383,560	443,291	59,731
0	0	0	0	57,524	57,524
0	0	0	2,000,000	2,000,000	0
<u>887,360</u>	<u>726,386</u>	<u>(160,974)</u>	<u>16,652,220</u>	<u>16,277,010</u>	<u>(375,210)</u>
61,000	54,202	6,798	3,099,842	2,879,406	220,436
623,100	513,514	109,586	2,488,505	1,630,833	857,672
256,000	180,786	75,214	9,014,548	8,117,488	897,060
0	0	0	66,020	51,063	14,957
5,000	2,783	2,217	4,859,136	3,728,449	1,130,687
0	0	0	547,663	547,663	0
0	0	0	457,783	375,501	82,282
<u>945,100</u>	<u>751,285</u>	<u>193,815</u>	<u>20,533,497</u>	<u>17,330,403</u>	<u>3,203,094</u>
(57,740)	(24,899)	32,841	(3,881,277)	(1,053,393)	2,827,884
0	0	0	610,000	10,000	(600,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(543,455)</u>	<u>(435,492)</u>	<u>107,963</u>
(57,740)	(24,899)	32,841	(3,814,732)	(1,478,885)	2,335,847
118,987	118,987	0	8,904,218	8,904,218	0
0	0	0	84,419	84,419	0
<u>\$61,247</u>	<u>\$94,088</u>	<u>\$32,841</u>	<u>\$5,173,905</u>	<u>\$7,509,752</u>	<u>\$2,335,847</u>

City of St. Marys
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended December 31, 1999

	Enterprise	Internal Service	Total (Memorandum Only)
Increases (decreases) in cash and cash equivalents			
<u>Cash flows from operating activities</u>			
Cash received from customers	\$12,843,615	\$0	\$12,843,615
Cash received from quasi-external transactions with other funds	0	686,152	686,152
Cash received from utility deposits	46,001	0	46,001
Cash received from tap-in fees	15,173	0	15,173
Cash received from other revenues	133,705	34,157	167,862
Cash payments for personal services	(2,755,562)	(49,499)	(2,805,061)
Cash payments for contractual services	(947,025)	(91,552)	(1,038,577)
Cash payments to vendors for materials and supplies	(7,579,167)	(199,877)	(7,779,044)
Cash payments for claims	0	(520,208)	(520,208)
Cash payments for utility refunds	(42,547)	0	(42,547)
Cash payments for quasi-external transactions with other funds	(394,347)	(4,703)	(399,050)
Cash payments for other expenses	(4,719)	0	(4,719)
Net cash provided by (used for) operating activities	<u>1,315,127</u>	<u>(145,530)</u>	<u>1,169,597</u>
<u>Cash flows from noncapital financing activities</u>			
Cash received from grants	17,392	0	17,392
Cash received from operating transfers - in	50,000	0	50,000
Net cash provided by noncapital financing activities	<u>67,392</u>	<u>0</u>	<u>67,392</u>
<u>Cash flows from capital and related financing activities</u>			
Acquisition of fixed assets	(1,718,421)	0	(1,718,421)
Capitalization of payments for personal services	(69,328)	0	(69,328)
Sale of fixed assets	57,524	0	57,524
Proceeds from notes	3,670,000	0	3,670,000
Principal paid on revenue bonds	(245,000)	0	(245,000)
Principal paid on mortgage revenue bonds	(285,000)	0	(285,000)
Principal paid on general obligation bonds	(27,000)	0	(27,000)
Principal paid on notes	(2,047,000)	0	(2,047,000)
Interest paid on revenue bonds	(197,705)	0	(197,705)
Interest paid on mortgage revenue bonds	(260,912)	0	(260,912)
Interest paid on general obligation bonds	(1,004)	0	(1,004)
Interest paid on notes	(85,892)	0	(85,892)
Net cash used for capital and related financing activities	<u>(1,209,738)</u>	<u>0</u>	<u>(1,209,738)</u>
<u>Cash flows from investing activities</u>			
Cash received from interest	494,478	6,099	500,577
Net increase (decrease) in cash and cash equivalents	667,259	(139,431)	527,828
Cash and cash equivalents at beginning of year	11,049,917	284,822	11,334,739
Cash and cash equivalents at end of year	<u>\$11,717,176</u>	<u>\$145,391</u>	<u>\$11,862,567</u>

City of St. Marys
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended December 31, 1999

	Enterprise	Internal Service	Total (Memorandum Only)
<u>Reconciliation of operating loss to net cash provided by (used for) operating activities</u>			
Operating loss	(\$631,785)	(\$138,676)	(\$770,461)
<u>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</u>			
Depreciation	920,596	13,892	934,488
Changes in assets and liabilities:			
Decrease in accounts receivable	811,572	0	811,572
Decrease in special assessments receivable	505	0	505
Increase in due from other funds	(2,436)	(2,326)	(4,762)
(Increase) decrease in materials and supplies inventory	14,986	(425)	14,561
Decrease in prepaid items	8,837	0	8,837
Increase (decrease) in accounts payable	613,750	(15,840)	597,910
Decrease in contracts payable	(372,157)	0	(372,157)
Increase (decrease) in accrued wages payable	1,137	(91)	1,046
Increase in compensated absences payable	11,263	394	11,657
Decrease in intergovernmental payable	(52,932)	(693)	(53,625)
Increase in due to other funds	3,297	0	3,297
Decrease in claims payable	0	(1,765)	(1,765)
Increase in refundable deposits payable from restricted assets	3,454	0	3,454
Decrease in landfill closure/postclosure costs	(14,960)	0	(14,960)
Net cash provided by (used for) operating activities	<u>\$1,315,127</u>	<u>(\$145,530)</u>	<u>\$1,169,597</u>

Non-Cash Transactions

During 1999, the City's governmental funds acquired fixed assets, in the amount of \$300,000, and donated them to the Sewer enterprise fund. The Sewer, Electric, and Water enterprise funds received fixed assets, in the amounts of \$2,835, \$1,794, and \$31,615, respectively, that were acquired by other proprietary funds.

See accompanying notes to the general purpose financial statements

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 1 - DESCRIPTION OF THE CITY OF ST. MARYS AND THE REPORTING ENTITY

A. 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 incorporated as a city in 1823.

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 members are elected at-large and four are elected from wards. Other elected officials consist of the auditor, law director, and treasurer 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, which includes 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.

B. Reporting Entity

A reporting entity is composed 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 of St. Marys consists of all funds, departments, boards, and agencies that are not legally separate from the City.

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; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. There were no component units of the City of St. Marys in 1999.

The City is associated with the Ohio Rural Water Association Worker's Compensation Group Rating Plan, an insurance pool. This organization is presented in Note 22 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Fund Accounting

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

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

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

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) whose use is restricted. The use and limitation of each special revenue fund is specified by City ordinances or federal and state statutes.

Debt Service Funds

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

Capital Projects Funds

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows.

The following are the City's proprietary fund types:

Enterprise Funds

The enterprise funds are used to account for the City's swimming pool, water, sewer, electric, and refuse operations. These funds are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds

The internal service funds are used to 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.

Fiduciary Fund Types

Fiduciary funds 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. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group

The general fixed assets account group is used to account for all fixed assets of the City, except those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City, except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the City is thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: municipal income taxes withheld by employers, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), reimbursements due from federally funded projects for which corresponding expenditures have been made, charges for current services, fines and forfeitures, and earnings on investments. Other revenues, including income taxes other than those withheld by employers, fees, licenses, and permits, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1999, and delinquent property taxes, whose availability is indeterminable and which are not intended to finance 1999 operations, have been recorded as deferred revenue. Special assessments are also recorded as deferred revenue because they do not meet the availability criteria.

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. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available expendable resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund types are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the 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, legally are required to be budgeted and appropriated.

Budgetary information for the segregated cash account held by a third party administrator is not reported because it is not included in the entity for which the "appropriated budget" is adopted.

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.

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. Prior to 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 1999.

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
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by the City Council. For all funds, council appropriations are made to personal services, contractual services, materials and supplies, capital outlay, other expenditures, debt retirement, and transfer accounts for each department. The appropriations set by the City Council 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 appropriated amount.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the proprietary fund types.

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 reappropriated.

D. Cash and Investments

To improve cash management, cash received by the City 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 combined balance sheet.

Cash and cash equivalents that are held separately for the City by fiscal agents or held separately for the City by revenue and mortgage revenue bond trustees are recorded on the combined balance sheet as "Cash and cash equivalents with escrow and fiscal agents." Cash and cash equivalents held by the City but outside of the City treasury for self-insurance is presented on the balance sheet as "Cash and cash equivalents in segregated accounts".

During 1999, investments were limited to repurchase agreements, mutual funds, non-negotiable certificates of deposit, manuscript bonds and notes, and STAR Ohio. Repurchase agreements and non-negotiable certificates of deposit are reported at cost. Mutual funds are reported at fair value, which is based on current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 1999.

The City has allocated interest earnings according to Ohio statutes. As such, interest revenue credited to the General fund during 1999 was \$302,841, which includes \$148,522 assigned from other City funds.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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 are reported as investments.

E. Notes Receivable

Notes receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients.

F. Materials and Supplies Inventory

Inventory in the governmental fund types is stated at cost while inventory in the proprietary fund types is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund types which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Restricted Assets

Certain proceeds of enterprise fund revenue and mortgage revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Restricted assets also 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.

I. Unamortized Bond Issuance Costs

In governmental fund types, bond issuance costs are expended in the current period. Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

J. Fixed Assets

The fixed asset values were initially determined at December 31, 1988, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were used. For certain fixed assets, the estimates were determined by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in the governmental fund types, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported as these assets are immovable and of value only to the City.

Proprietary Fund Fixed Assets

Fixed assets reflected in the proprietary funds are stated at historical cost or estimated historical cost and are updated for the cost of additions and reductions during the year. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings	50 years
Improvements Other than Buildings	20 years
Machinery and Equipment	10 years
Vehicles	6-10 years
Water and Sewer Lines	30 years

Capitalization of Interest

Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from the temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 1999, there was no capitalized interest cost incurred on enterprise fund construction projects.

K. Interfund Assets/Liabilities

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due from/to other funds" on the combined balance sheet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

Vacation and compensatory benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

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

M. Accrued Liabilities and Long-Term Obligations

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

Under Ohio law, a debt service fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the appropriate funds and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt service funds have been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

N. Contributed Capital

Contributed capital represents contributions made by the City and other governments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Reserves of Fund Equity/Retained Earnings

The City records reservations for portions of fund balance that are segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for notes receivable, inventory, and encumbrances.

Proprietary fund retained earnings balances are reserved for replacement and improvements and operations. The reserves represent amounts accumulated from earnings in the restricted assets accounts in accordance with the terms of the bond indentures described further in Note 16.

P. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, and shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

Q. Interfund Transactions

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

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

R. Estimates

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

S. Total Columns on General Purpose Financial Statements

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Refuse enterprise fund had deficit retained earnings, in the amount of \$2,108,219, which was a result of recording estimated landfill postclosure costs . Council has established a closure cost fee for all users that is intended to help finance related expenses as they occur.

B. Compliance

The following accounts had expenditures in excess of appropriations for the year ended December 31, 1999.

Fund Type/Fund/ Program/Department	Appropriations	Expenditures Plus Encumbrances	Excess
Capital Projects Funds			
Capital Improvements			
Capital Outlay/Contractual Services	\$8,923	\$10,866	\$1,943
Voted Tax			
Security of Persons and Property/Capital Outlay	79,000	83,075	4,075

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for the governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for the proprietary fund types (GAAP basis).

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

4. Under Ohio law, debt transactions may be recorded in a debt service fund (budget basis) as opposed to allocating the payments to the fund in which the proceeds were recorded (GAAP basis).
5. For the proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$438,169	\$79,233	(\$5,987)	\$715,800
<u>Increases (Decreases) Due To</u>				
Revenue Accruals:				
Accrued 1998, Received in Cash 1999	249,402	17,808	0	86,583
Accrued 1999, Not Yet Received in Cash	(245,307)	(18,216)	0	(420,386)
Expenditure Accruals:				
Accrued 1998, Paid in Cash 1999	(79,328)	(35,828)	653	(319,555)
Accrued 1999, Not Yet Paid in Cash	55,620	9,386	0	404,359
Cash Adjustments:				
Unrecorded Activity 1998	15,960	5,358	0	10,184
Unrecorded Activity 1999	(17,086)	(4,259)	2	(9,701)
Notes Receivable - Issued	0	(150,327)	0	0
Notes Receivable - Repayments	0	212,961	0	0
Prepaid Items	12,769	5,548	0	0
Notes Payable - Issued	0	0	1,670,000	0
Notes Payable - Retired	0	0	(2,134,000)	0

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Excess of Revenues Under Expenditures into Financial Statement Fund Types	0	0	464,000	(87,000)
Encumbrances Against Current Year Appropriations	(69,222)	(85,820)	0	(451,992)
Payments Made Against Prior Year Encumbrances	85,380	172,481	0	629,334
Budget Basis	\$446,357	\$208,325	(\$5,334)	\$557,626

Net Loss/Excess of Revenues Under Expenses
and Operating Transfers
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	(\$664,033)	(\$132,540)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 1998, Received in Cash 1999	955,194	3,352
Accrued 1999, Not Yet Received in Cash	(154,046)	(5,737)
Expense Accruals:		
Accrued 1998, Paid in Cash 1999	(1,053,578)	(54,955)
Accrued 1999, Not Yet Paid in Cash	2,260,335	36,961
Cash Adjustments:		
Unrecorded Activity 1998	11,726	0
Unrecorded Activity 1999	(22,505)	0
Materials and Supplies Inventory	14,986	(425)
Prepaid Items	8,837	0
Landfill Closure/Postclosure Costs	(14,960)	0
Acquisition of Fixed Assets	(2,784,352)	0

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Income (Loss)/Excess of Revenues Under Expenses
and Operating Transfers
All Proprietary Fund Types
(continued)

	Enterprise	Internal Service
Depreciation Expense	\$920,596	\$13,892
Sale of Fixed Assets	57,524	0
Gain on Sale of Fixed Asset	(44,150)	0
Loss on Sale of Fixed Asset	2,197	0
Proceeds of Notes	2,000,000	0
Bond Principal Retirement	(542,000)	0
Unamortized Issuance Costs	18,964	0
Accounting Loss	18,534	0
Utility Deposits	3,454	0
Residual Equity Transfers - Out	56,161	0
Non-Budgeted Cash with Trustees	18,970	7,571
Excess of Revenues Over Expenses into Financial Statement Fund Types	(377,000)	0
Encumbrances Against Current Year Appropriations	(3,170,693)	(22,372)
Payments Made Against Prior Year Encumbrances	1,025,853	129,354
Budget Basis	(\$1,453,986)	(\$24,899)

NOTE 5 - 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 the City Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 this State, as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 two 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.

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.

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

At year end, the carrying amount of the City's deposits was \$12,647,202 and the bank balance was \$12,813,394. Of the bank balance, \$300,000 was covered by federal depository insurance and \$12,513,394 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 1	Category 3	Carrying Value	Fair Value
Manuscript Bonds	\$134,215	\$0	\$134,215	\$134,215
Repurchase Agreement	0	1,028,519	1,028,519	1,028,639
	\$134,215	\$1,028,519		
Mutual Funds			3,759,012	3,759,012
STAR Ohio			1,610,354	1,610,354
			\$6,532,100	\$6,532,220

STAR Ohio, an investment pool operated by the Ohio State Treasurer and investments in mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form. The City holds the manuscript bonds.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$19,179,302	\$0
Investments:		
Manuscript Bonds	(134,215)	134,215
Repurchase Agreements	(1,028,519)	1,028,519
Mutual Funds	(3,759,012)	3,759,012
STAR Ohio	(1,610,354)	1,610,354
GASB Statement No. 3	\$12,647,202	\$6,532,100

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 1999 represent the collection of 1998 taxes. For 1999, real property taxes were levied after October 1, 1999, on the assessed values as of January 1, 1999, the lien date. These taxes will be collected in and are intended to finance 2000 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. 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 were levied after October 1, 1999, on the assessed values as of December 31, 1998, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 1999 (other than public utility property) represent the collection of 1999 taxes. For 1999, tangible personal property taxes were levied after October 1, 1998, on the true value as of December 31, 1998, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of St. Marys. The County Auditor periodically remits to the City its portion of the taxes collected.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real, public utility, and tangible personal property taxes which were measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 1999 operations.

The full tax rate for all City operations for the year ended December 31, 1999, was \$3.32 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 1999 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	
Agricultural/Residential	\$59,313,770
Commercial/Industrial	21,816,870
Public Utility Property	
Real	8,890
Personal	2,529,040
Tangible Personal Property	22,685,222
Total Assessed Value	\$106,353,792

NOTE 7 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 ½ 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 the first 1 percent of the income tax revenues to the General Fund (.72); Street Maintenance and Repair special revenue fund (.18); and Capital Improvement capital projects fund (.10). The remaining .5 percent is allocated to the Voted Tax Capital Improvement capital projects fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999, consisted of taxes; accounts (billings for user charged services, including unbilled utility services); special assessments; notes; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible except for accounts receivable related to utility services.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 8 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
Estate Tax	\$16,780
Local Government	3,871
Lodging Tax	399
Total General Fund	21,050
Special Revenue Funds	
Street Maintenance and Repair	
Gasoline Tax	12,947
Motor Vehicle License Tax	3,482
Total Street Maintenance and Repair	16,429
State Highway	
Gasoline Tax	1,050
Motor Vehicle License Tax	282
Total State Highway	1,332
Total Special Revenue Funds	17,761
Capital Projects Funds	
Community Development Block Grant	
Grant	200,000
Ohio Public Works Commission	
Grant	124,285
Total Capital Projects Funds	324,285
Total All Funds	\$363,096

By statute, local property taxes have been reduced 10 percent, with additional reductions for the elderly and the disabled. The amount of these reductions, estimated to be approximately \$36,600, will be paid to the City by the State of Ohio in the latter part of 2000.

NOTE 9 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant program. The notes have an annual interest rate of 3-9.25 percent and are repaid over periods ranging from five to thirty years.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 9 - NOTES RECEIVABLE (continued)

A summary of the changes in notes receivable during 1999 follows:

	Balance 12/31/98	New Loans	Repayments	Written Off During 1999	Balance 12/31/99
Special Revenue Fund					
CDBG					
Individual Loans	\$171,007	\$404	\$40,493	\$33,667	\$97,251
Business Loans	780,334	150,327	136,236	0	794,425
Total	<u>\$951,341</u>	<u>\$150,731</u>	<u>\$176,729</u>	<u>\$33,667</u>	<u>\$891,676</u>

Notes receivable are reduced each year by the amount of loans which have been determined to be uncollectible. Notes receivable on the combined balance sheet are presented net of amounts written off.

NOTE 10 - FIXED ASSETS

A. General Fixed Assets

A summary of the changes in general fixed assets during 1999 is as follows:

	Balance 12/31/98	Additions	Reductions	Balance 12/31/99
Land and Improvements	\$1,047,632	\$177,100	\$0	\$1,224,732
Buildings	884,742	0	0	884,742
Building Improvements	315,467	67,787	0	383,254
Machinery and Equipment	1,128,166	83,709	7,453	1,204,422
Vehicles	1,276,660	91,593	8,199	1,360,054
Construction in Progress	207,949	255,324	0	463,273
Total General Fixed Assets	<u>\$4,860,616</u>	<u>\$675,513</u>	<u>\$15,652</u>	<u>\$5,520,477</u>

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 10 - FIXED ASSETS (continued)

B. Enterprise Fund Fixed Assets

A summary of the enterprise funds' fixed assets at December 31, 1999, follows:

	Enterprise	Internal Service
Land	\$1,225,807	\$0
Land Improvements	76,205	0
Buildings	5,373,742	0
Improvements Other than Buildings	337,301	9,162
Machinery and Equipment	11,857,189	111,823
Vehicles	1,447,312	24,178
Water and Sewer Lines	11,453,358	0
Construction in Progress	2,449,585	0
Total	34,220,499	145,163
Less: Accumulated Depreciation	17,566,193	68,566
Total Fixed Assets Net of Accumulated Depreciation	\$16,654,306	\$76,597

NOTE 11 - INTERFUND ASSETS/LIABILITIES

As of December 31, 1999, receivables and payables that resulted from various interfund transactions were as follows:

	Due from other funds	Due to other funds
General Fund	\$0	\$2,030
Special Revenue Fund		
Street Maintenance	0	512
Total Special Revenue Fund	0	512
Enterprise Funds		
Water	482	4,259
Sewer	209	4,108
Electric	7,285	1,331
Refuse	0	910
Total Enterprise Funds	7,976	10,608
Internal Service Fund		
City Garage	5,174	0
Total All Funds	\$13,150	\$13,150

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. The System provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 9.35 percent was the portion used to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the System for the years ended December 31, 1999, 1998, and 1997, were \$291,568, \$285,363, and \$247,968, respectively; 74.2 percent has been contributed for 1999 and 100 percent has been contributed for 1998 and 1997. The unpaid contribution for 1999, in the amount of \$75,271, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer defined benefit pension plan administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Police and Firemen's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent; 12.5 percent was the portion used to fund pension obligations. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 1999, 1998, and 1997, were \$163,811, \$164,255, and \$155,713, respectively; 72.6 percent has been contributed for 1999 and 100 percent has been contributed for 1998 and 1997. The unpaid contribution for 1999, in the amount of \$44,855, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State retirement system have an option to choose Social Security or the appropriate state system. As of December 31, 1999, nine part-time firemen have elected social security. The City's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion used to fund health care for 1999.

Benefits are funded on a pay-as-you-go-basis. OPB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

During 1999, OPB expenditures made by the System were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPB through the System was 118,062. The City's actual contributions for 1999 which were used to fund OPB were \$90,375.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund of Ohio (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7 percent was the portion used to fund health care for 1999. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$78,658. The Fund's total health care expenses for the year ending December 31, 1998, (the latest information available), were \$78,596,790.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 14 - OTHER EMPLOYEE BENEFITS

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 disability or service retirement under the Public Employees Retirement System or the Police and Firemen's Disability and Pension System. The maximum amount of sick leave that is paid upon disability or retirement differs between the policies.

Compensatory leave for supervisory employees and police department employees is permitted for overtime worked and is earned at the rate of one and one-half times the actual hours of time worked in excess of 8 hours or in excess of the employee's regularly scheduled week. Compensatory leave is permitted to accumulate throughout the year but any unused balance cannot exceed forty hours as of December 31 of each year. Upon termination of employment, employees are entitled to receive in cash any remaining balance of unused compensatory time.

NOTE 15 - SHORT-TERM OBLIGATIONS

Short-term obligations activity for the year ended December 31, 1999, was as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/98</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/99</u>
<u>Capital Projects Fund</u>					
Special Assessment Fund					
1997 Street Program Bond Anticipation Note	4.82%	\$87,000	\$0	\$87,000	\$0
<u>Enterprise Funds</u>					
Water Improvement General Obligation Note	4.50%	150,000	100,000	150,000	100,000
Land Improvement Bond Anticipation Note	3.55%	0	2,000,000	0	2,000,000
Land Improvement General Obligation Note	4.91%	27,000	0	27,000	0
Sanitary Improvement General Obligation Note	4.40%	<u>1,870,000</u>	<u>1,570,000</u>	<u>1,870,000</u>	<u>1,570,000</u>
Total Enterprise Funds		<u>2,047,000</u>	3,670,000	2,047,000	3,670,000
Total Notes Payable		<u>\$2,134,000</u>	<u>\$3,670,000</u>	<u>\$2,134,000</u>	<u>\$3,670,000</u>

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 15 - SHORT-TERM OBLIGATIONS (continued)

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 notes are bond anticipation notes and are supported by the full faith and credit of the City. The liability for all notes, other than bond anticipation notes, is presented in the fund which received the proceeds and have a maturity of one year.

NOTE 16 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 1999, was as follows:

	Interest Rate	Balance 12/31/98	Issued	Retired	Balance 12/31/99
<u>General Long-Term Obligations Account Group</u>					
<u>General Obligation Bond Anticipation Note</u>					
1999 Street Program Bond Anticipation Note	4.21%	\$0	\$140,000	\$0	\$140,000
<u>Special Assessments Bonds</u>					
1993 Manuscript Bond	5.00	5,610	0	1,120	4,490
1993 Manuscript Bond	4.75	10,000	0	10,000	0
1994 Manuscript Bond	5.50	54,000	0	27,000	27,000
1995 Manuscript Bond	4.75	20,400	0	6,800	13,600
1996 Manuscript Bond	4.50	58,400	0	14,600	43,800
1999 Various Purpose	4.50	0	46,000	0	46,000
Total Special Assessments Bonds		148,410	46,000	59,520	134,890
<u>Other Long-Term Obligations</u>					
Compensated Absences Payable		193,575	0	10,335	183,240
Intergovernmental Payable		92,841	89,711	92,841	89,711
Loan Payable		0	177,100	75,000	102,100
Fire Pension Liability		16,007	0	160	15,847
Total Other Long-Term Obligations		302,423	266,811	178,336	390,898
Total General Long-Term Obligations		450,833	452,811	237,856	665,788
<u>Enterprise Fund Obligations</u>					
<u>General Obligation Bonds</u>					
Water					
1994 Water Building	5.00%	12,000	0	12,000	0
<u>Revenue Bonds</u>					
1991 Water Revenue Bonds	5.85	1,200,000	0	65,000	1,135,000
1991 Sewer Revenue Refunding Bonds	4.75 - 5.15	2,440,000	0	180,000	2,260,000
Total Revenue Bonds		3,640,000	0	245,000	3,395,000

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance 12/31/98	Issued	Retired	Balance 12/31/99
<u>Mortgage Revenue Bonds</u>					
1990 Electric Mortgage Revenue Refunding Bonds	4.75 - 5.30	\$3,495,000	\$0	\$225,000	\$3,270,000
1991 Electric Mortgage Revenue Bonds	5.85	1,130,000	0	60,000	1,070,000
Total Mortgage Revenue Bonds		4,625,000	0	285,000	4,340,000
<u>Other Long-Term Obligations</u>					
Compensated Absences Payable		294,330	11,263	0	305,593
Intergovernmental Payable		138,855	85,923	138,855	85,923
Landfill Closure/Postclosure Costs		2,167,237	0	14,960	2,152,277
Total Other Long-Term Obligations		2,600,422	97,186	153,815	2,543,793
Total Enterprise Fund Obligations		10,877,422	97,186	695,815	10,278,793
Total Long-Term Obligations		\$11,328,255	\$474,897	\$858,671	\$10,944,481

Bond Anticipation Notes

The bond anticipation notes are supported by the full faith and credit of the City. The City's long-term bond anticipation notes are presented in the general long-term obligations account group and are payable from unvoted property tax revenues. Bond anticipation notes that meet the criteria for long term are reported in the general long-term obligations account group.

Special Assessment Bonds

The special assessment bonds are supported by the full faith and credit of the City of St. Marys. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt service requirements, the City will be required to pay the related debt.

Compensated Absences Payable

Compensated absences are presented at net because it is not practical to determine the actual increases and decreases. The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

Intergovernmental Payable

The intergovernmental payable, representing the City's contractually required pension obligation, will be paid from the fund from which the employees' salaries are paid.

Loan Payable

The loan payable, for the purchase of land, will be paid from the General Fund.

Fire Pension Liability

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system in 1967. The liability is payable semiannually from the Fire Pension special revenue fund.

General Obligation Bonds

The City issued general obligation bonds for the purpose of improving and enlarging the City's water treatment plant. The bonds were full retired in 1999.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Revenue and Mortgage Revenue Bonds

The City has issued revenue and mortgage revenue bonds to finance various improvements of the water, sewer, and electric utilities. Revenues and assets in the case of the mortgage revenues bonds have been pledged to pay the debt service. In addition, bond covenants require revenues to be set aside for renewal and replacement, operations, and debt service.

The bonds issued in 1991 and are a combination of serial and term bonds. The term bonds that mature on December 1, 2011 are subject to mandatory redemption prior to maturity at a redemption price equal to 100 percent of the principal amount in each of the years and in the aggregate principal amount according to the following schedule:

Year	Water Revenue Bonds	Electric Mortgage Revenue Bonds
	Amount	
2005	\$85,000	\$85,000
2006	100,000	90,000
2007	105,000	95,000
2008	110,000	100,000
2009	115,000	110,000
2010	125,000	115,000

The Water Revenue and Electric Mortgage revenue bonds contain optional redemption provisions that may be exercised by the City. The bonds may be called either in whole or in part in integral multiples of \$5,000. The date each bond issue may be called and the redemption prices, expressed as percentages of the principal amount redeemable, are set forth below:

Redemption Dates (Dates Inclusive)	Redemption Prices (Percent of par)	
	Electric Mortgage Revenue	Water Revenue
December 1, 2001, through November 30, 2002	102%	102%
December 1, 2002, through November 30, 2003	101	101
December 1, 2003, and thereafter	100	100

Defeased Debt

In 1991, the City advanced refunded revenue and mortgage revenue bonds in the amount of \$2,645,000 and \$3,540,000, respectively. The proceeds of the bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. At December 31, 1999, revenue and mortgage revenue bonds in the amount of \$2,140,000, and \$3,030,000 were outstanding. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Conduit Debt

In prior years, the City issued Industrial Development Revenue Bonds for facilities used by a private corporation in the amount of \$4,250,000. The bonds are secured by the property financed and are payable solely by the corporation. The City is not obligated in any way to pay debt charges on the bonds from any of its funds and therefore the debt has been excluded entirely from the City's debt presentation.

Of the total outstanding conduit debt, the outstanding balance is \$4,250,000 due in a balloon payment in 2001.

The City's legal debt margin was \$11,167,148 at December 31, 1999.

Principal and interest requirements to retire the general long term debt obligations outstanding at December 31, 1999, are as follows:

Year	Special Assessment Bonds	Loan	Fire Pension	Total
2000	\$65,117	\$35,000	\$958	\$101,075
2001	35,182	35,000	958	71,140
2002	26,932	32,100	958	59,990
2003	11,215	0	958	12,173
2004	9,614	0	958	10,572
2005 to 2009	0	0	4,792	4,792
2010 to 2014	0	0	4,792	4,792
2015 to 2035	0	0	19,648	19,648
Total	<u>\$148,060</u>	<u>\$102,100</u>	<u>\$34,022</u>	<u>\$284,182</u>

Principal and interest requirements to retire the enterprise long term debt outstanding at December 31, 1999, are as follows:

Year	Revenue Bonds	Mortgage Revenue Bonds	Total
2000	\$435,353	\$523,115	\$958,468
2001	432,698	528,620	961,318
2002	434,438	533,050	967,488
2003	435,360	531,360	966,720
2004	430,345	528,810	959,155
2005 to 2009	2,152,338	2,643,155	4,795,493
2010 to 2011	280,603	643,353	923,956
Total	<u>\$4,601,135</u>	<u>\$5,931,463</u>	<u>\$10,532,598</u>

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 17 - RESERVED RETAINED EARNINGS AND RESTRICTED ASSET ACCOUNTS

Fund assets whose use are restricted under the bond indentures to renewal and replacement, operations, and debt service requirements are presented as restricted assets on the balance sheet. These assets are further segregated between those held by the City and those held by trustees. Restricted assets relating to each of the mortgage revenue bond issues consisted of the following at December 31, 1999:

	Restricted Assets				Totals
	Wastewater Refunding Revenue	Electric Refunding Mortgage Revenue	Electric Mortgage Revenue	Water Revenue	
<u>Restricted Assets held by the City for:</u>					
Bond Replacement	\$792,609	\$2,006,048	\$0	\$489,630	\$3,288,287
Bond Operations	33,669	2,639,915	0	341,416	3,015,000
Bond Construction	849	0	0	59,591	60,440
<u>Restricted Assets held by Trustee for:</u>					
Bond Current Debt Service	38,231	50,717	17,004	18,143	124,095
Bond Future Debt Service	301,101	402,329	134,759	146,028	984,217
Total Restricted Assets	<u>\$1,166,459</u>	<u>\$5,099,009</u>	<u>\$151,763</u>	<u>\$1,054,808</u>	<u>\$7,472,039</u>

NOTE 18 - LANDFILL CLOSURE/POSTCLOSURE 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 postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City is in the process of closing the landfill. The landfill closure and postclosure liability of \$2,152,277 at December 31, 1999, represents the cumulative amount for closure and postclosure care. The amounts are based on what it would cost to perform all closure and postclosure care in 1999. 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 postclosure care and remediation or containment of environmental hazards at the landfill. The City passed the financial accountability test proving the ability to self-fund these future costs in 1997, the last year approved by the Ohio Environmental Protection Agency.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 19 - CONTRACTUAL COMMITMENTS

At December 31, 1999, the City had contractual commitments as follows:

Project	Vendor	Contract Amount	Paid	Balance
Communication Feasibility Study	Stanley Consultants	\$34,500	\$8,203	\$26,297
Fire Arms	Vance's Law Enforcement	6,606	0	6,606
Landfill Closure	Hull and Associates	46,204	26,408	19,796
McKinley Road Sewer Project	Municipal Pipe Contractors Inc.	873,026	500,271	372,755
McKinley Road Sewer Project	S.E. Johnson	912,168	875,681	36,487
Northeast Pump Station	Q.O.B. Electric, Inc.	143,610	0	143,610
Pick Up Trucks	Jack Huelsman Chevrolet, Oldsmobile	20,122	0	20,122
Pick Up Trucks	St. Marys Chrysler	89,529	71,361	18,168
Replacement of Well	Jackson and Sons	224,949	180,196	44,753
Safety Building Improvements	Baumer Construction, Inc.	340,200	316,870	23,330
Safety Building Improvements	Freytag and Associates	1,178	0	1,178
Safety Building Improvements	Koester Electric, Inc.	55,700	53,496	2,204
Safety Building Improvements	Riesen Plumbing and Heating	90,345	84,083	6,262
Snow Plow	Newell Equipment Company, Inc.	21,399	0	21,399
System Improvements	American Municipal Power, Ohio	1,996,200	762,300	1,233,900
		<u>\$4,855,736</u>	<u>\$2,878,869</u>	<u>\$1,976,867</u>

NOTE 20 - 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 coverages and deductibles:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$5,000,000	\$0
Police Professional	5,000,000	5,000
Public Official Liability	5,000,000	5,000
Automobile Fleet Liability	5,000,000	Various

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 20 - RISK MANAGEMENT (continued)

Type of Coverage	Coverage	Deductible
Buildings and Contents	\$60,703,445	\$1,000
Boiler and Machinery	10,000,000	various
Inland Marine (EDP Floater)	175,000	250
Equipment	881,252	250

There have been no significant reductions in insurance coverage from 1998, 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.

B. Employee Medical Benefits

The City has elected to provide employee health insurance benefits through a partially self-insured program. The City established a Self-Insurance internal service fund to account for and finance the cost of the program. All funds of the City participate in the self-insurance program and make payments to the Self-Insurance internal service fund based upon actuarial estimates of the amounts needed to pay prior- and current-year claims. For 1999, the City utilized a third party administrator, Anthem Benefit Administrators to process all claims. The monthly premiums for medical are \$154.02 for single coverage and \$421.41 for family coverage, and the employee's share is \$10.36 and \$29.47, respectively. All premiums paid to the Self-Insurance internal service fund were deposited with the claims servicing pool. The cost to the City for the third party administrator is \$13.60 per employee per month. At December 31, 1999, the City had \$28,694 on deposit with Anthem Benefit Administrators.

Under the City's self-insured program, the Self-Insurance internal service fund pays claims up to a maximum of \$25,000 per individual and claims in excess of \$1,000,000 per individual for their lifetime. The City purchases stop-loss coverage at a cost of \$26.38 per employee for single coverage and \$57.28 per employee for family coverage per month. Settled claims have not exceeded the stop-loss coverage for the last three years.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 1999, is estimated by the third party administrator at \$26,944.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 20 - RISK MANAGEMENT (continued)

The changes in the claims liability for 1999 and 1998 were as follows:

Year	Beginning Balance	Current-Year Claims and Changes in Estimates	Stop-Loss Reimbursement	Claims Payments	Ending Balance
1999	\$28,709	\$518,443	0	\$520,208	\$26,944
1998	18,038	336,008	4,902	330,239	28,709

C. Workers' Compensation

For 1999, the City participated in the Ohio Rural Water Association 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 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.

NOTE 21 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of swimming pool, water, sewer, electric, and refuse services. Financial segment information as of and for the year ended December 31, 1999, is as follows:

	Swimming Pool	Water	Sewer	Electric	Refuse	Total
Operating revenues	\$41,378	\$1,145,563	\$1,138,042	\$9,079,406	\$778,463	\$12,182,852
Operating Expenses						
Less Depreciation	48,450	754,985	722,106	9,667,611	700,889	11,894,041
Depreciation	13,584	255,786	246,672	332,599	71,955	920,596
Operating income (loss)	(20,656)	134,792	169,264	(920,804)	5,619	(631,785)
Operating transfers – in	10,000	0	0	0	40,000	50,000
Net income (loss)	(\$10,656)	\$112,985	\$90,556	(\$908,873)	\$51,955	(\$644,033)
Current capital contributions	0	31,615	302,835	1,794	0	336,244
Fixed assets:						
Additions	0	427,319	810,868	1,862,647	19,762	3,120,596
Reductions	0	7,282	5,568	14,936	213,975	241,761

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 21 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (continued)

	Swimming Pool	Water	Sewer	Electric	Refuse	Total
Net working capital	\$9,023	\$357,689	\$563,701	(\$1,494,048)	(\$451,882)	(\$1,015,517)
Long-term obligations:						
Compensated absences payable	0	61,729	36,152	148,466	59,246	305,593
Revenue bonds payable (net of unamortized loss on advance refunding)	0	1,070,000	1,842,298	0	0	2,912,298
Mortgage revenue bonds payable (net of unamortized loss on advance refunding)	0	0	0	3,704,649	0	3,704,649
Landfill closure/postclosure costs	0	0	0	0	2,152,277	2,152,277
Total long-term liabilities	0	1,131,729	1,878,450	3,847,062	2,211,523	9,068,764
Total assets	108,207	6,035,848	6,497,611	14,824,402	1,741,207	29,207,372
Total equity (deficit)	108,207	4,627,137	4,162,047	6,986,777	(2,104,590)	13,779,578
Encumbrances outstanding at year end (budget basis)	716	200,803	749,883	2,149,301	69,990	3,170,693

NOTE 22 - INSURANCE 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 Rural Water Association 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 cities pay an enrollment fee to the Program to cover the costs of administering the Plan.

NOTE 23 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 1999, to December 31, 1999, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 24 - SUBSEQUENT EVENT

On March 25, 2000, the City issued an additional \$700,000 in bond anticipation notes from AMP Ohio for the purpose of constructing and installing an interconnection with American Electric Power. The notes have an interest rate of 3.55 percent and mature on March 25, 2001.

On May 26, 2000, the City issued \$132,000 in bond anticipation notes for the 1999 street program. The notes have an interest rate of 4.90 percent and mature on September 1, 2000.

On June 13, 2000, the City issued \$1,390,000 in bond anticipation notes for improving the sanitary landfill. The notes have an interest rate of 5.25 percent and mature on June 13, 2001.

On June 20, 2000, the City issued \$142,000 in bond anticipation notes for the 2000 street program. The notes have an interest rate of 5.25 percent and mature on June 20, 2001.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of City Council
City of St. Marys
St. Marys, Ohio

We have audited the general purpose financial statements of the City of St. Marys as of and for the year ended December 31, 1999, and have issued our report thereon dated September 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated September 14, 2000.

Internal Controls Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated September 14, 2000.

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

Charles E. Harris & Associates, Inc.
September 14, 2000

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 1998 did not include material citations or recommendations.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF SAINT 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 28, 2000**