

**CITY OF ST. MARYS  
AUGLAIZE COUNTY, OHIO**

***Basic Financial Statements***  
(Audited)

For The Year Ended  
December 31, 2009

**DOUGLAS M. RIESEN, CITY AUDITOR**





# Mary Taylor, CPA

Auditor of State

Members of Council  
City of St. Marys  
101 East Spring Street  
St. Marys, Ohio 45885

We have reviewed the *Independent Auditor's Report* of the City of St. Marys, Auglaize County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2009. 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 St. Marys is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 1, 2010

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**CITY OF ST. MARYS  
AUGLAIZE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Mayor and Members of Council  
City of St. Marys  
101 East Spring Street  
St. Marys, OH 45885

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of St. Marys' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Marys' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2010, on our consideration of the City of St. Marys' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Julian & Grube, Inc.  
June 17, 2010

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

The Management's Discussion and Analysis of the City of St. Marys (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2009 are as follows:

- The total net assets of the City increased \$1,049,679. Net assets of governmental activities increased \$182,891 or 0.55% over 2008 and net assets of business-type activities increased \$866,788 or 3.28% from 2008.
- General revenues accounted for \$5,581,878 of total governmental activities revenue. Program specific revenues accounted for \$1,084,197 or 16.26% of total governmental activities revenue.
- The City had \$5,741,345 in expenses related to governmental activities; \$1,084,197 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,657,148 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,581,878.
- The general fund had revenues of \$4,506,959 in 2009. This represents an increase of \$598 from 2008 revenues. The expenditures and other financing uses of the general fund, which totaled \$4,658,731 in 2009, decreased \$242,526 from 2008. The net decrease in fund balance for the general fund was \$160,023 or 3.42%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, Electric and Refuse enterprise funds, increased in 2009 by \$866,788. This increase in net assets was due primarily to operating revenues exceeding increased operating expenses.
- In the general fund, the actual revenues came in \$841,600 lower than they were in the final budget and actual expenditures and other financing uses were \$1,087,964 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues did not change from the original to the final budget. Budgeted expenditures and other financing uses increased \$179,981 from the original to the final budget primarily due to an increase in anticipated expenditures and transfers out to other funds that were not calculated in the original budget.

#### **Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

#### **Reporting the City as a Whole**

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

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

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

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

##### *Fund Financial Statements*

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

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

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

#### ***Governmental Funds***

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

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

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

#### ***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 28 - 35 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 36 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37 - 71 of this report.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Government-Wide Financial Analysis**

This is the City's government-wide financial statements using the full accrual basis of accounting. The table below provides a summary of the City's net assets for 2009 and 2008:

	<b>Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Current and other assets	\$ 15,373,391	\$ 16,724,794	\$ 16,023,491	\$ 17,950,698	\$ 31,396,882	\$ 34,675,492
Capital assets	<u>19,242,024</u>	<u>18,031,079</u>	<u>29,723,734</u>	<u>25,866,105</u>	<u>48,965,758</u>	<u>43,897,184</u>
Total assets	<u>34,615,415</u>	<u>34,755,873</u>	<u>45,747,225</u>	<u>43,816,803</u>	<u>80,362,640</u>	<u>78,572,676</u>
<u>Liabilities</u>						
Long-term liabilities	391,948	377,398	16,755,836	13,430,087	17,147,784	13,807,485
Other liabilities	<u>861,854</u>	<u>1,199,753</u>	<u>1,697,027</u>	<u>3,959,142</u>	<u>2,558,881</u>	<u>5,158,895</u>
Total liabilities	<u>1,253,802</u>	<u>1,577,151</u>	<u>18,452,863</u>	<u>17,389,229</u>	<u>19,706,665</u>	<u>18,966,380</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	19,202,024	17,934,079	17,013,676	14,603,186	36,215,700	32,537,265
Restricted	9,552,981	10,210,606	-	1,338,226	9,552,981	11,548,832
Unrestricted	<u>4,606,608</u>	<u>5,034,037</u>	<u>10,280,686</u>	<u>10,486,162</u>	<u>14,887,294</u>	<u>15,520,199</u>
Total net assets	<u>\$ 33,361,613</u>	<u>\$ 33,178,722</u>	<u>\$ 27,294,362</u>	<u>\$ 26,427,574</u>	<u>\$ 60,655,975</u>	<u>\$ 59,606,296</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$60,655,975. At year-end, net assets were \$33,361,613 and \$27,294,362 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 60.93% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$19,202,024 and \$17,013,676 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2009, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$9,552,981 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$4,606,608 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF ST. MARYS, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

The table below shows the changes in net assets for fiscal year 2009 and 2008.

	<b>Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 592,388	\$ 817,668	\$ 18,903,377	\$ 19,249,711	\$ 19,495,765	\$ 20,067,379
Operating grants and contributions	342,529	446,061	-	-	342,529	446,061
Capital grants and contributions	149,280	106,770	-	50,859	149,280	157,629
Total program revenues	<u>1,084,197</u>	<u>1,370,499</u>	<u>18,903,377</u>	<u>19,300,570</u>	<u>19,987,574</u>	<u>20,671,069</u>
General revenues:						
Property taxes	1,197,697	1,260,050	-	-	1,197,697	1,260,050
Income taxes	3,290,232	4,592,324	-	-	3,290,232	4,592,324
Unrestricted grants	659,855	469,589	5,406	21,353	665,261	490,942
Interest	204,115	401,679	49,180	186,835	253,295	588,514
Miscellaneous	229,979	97,156	390,810	5,147	620,789	102,303
Total general revenues	<u>5,581,878</u>	<u>6,820,798</u>	<u>445,396</u>	<u>213,335</u>	<u>6,027,274</u>	<u>7,034,133</u>
Total revenues	<u>6,666,075</u>	<u>8,191,297</u>	<u>19,348,773</u>	<u>19,513,905</u>	<u>26,014,848</u>	<u>27,705,202</u>
Expenses:						
General government	785,323	1,308,917	-	-	785,323	1,308,917
Security of persons and property	2,975,506	3,129,436	-	-	2,975,506	3,129,436
Public health and welfare	34,343	13,583	-	-	34,343	13,583
Transportation	1,530,396	1,769,028	-	-	1,530,396	1,769,028
Community environment	80,002	23,336	-	-	80,002	23,336
Leisure time activity	319,293	465,614	-	-	319,293	465,614
Other	-	12,281	-	-	-	12,281
Interest and fiscal charges	16,482	23,949	-	-	16,482	23,949
Water	-	-	1,154,915	1,271,339	1,154,915	1,271,339
Sewer	-	-	1,753,392	1,511,604	1,753,392	1,511,604
Electric	-	-	15,737,982	16,122,908	15,737,982	16,122,908
Refuse	-	-	577,535	1,017,106	577,535	1,017,106
Total expenses	<u>5,741,345</u>	<u>6,746,144</u>	<u>19,223,824</u>	<u>19,922,957</u>	<u>24,965,169</u>	<u>26,669,101</u>
Increase (decrease) in net assets before transfers	924,730	1,445,153	124,949	(409,052)	1,049,679	1,036,101
Transfers	<u>(741,839)</u>	<u>(807,573)</u>	<u>741,839</u>	<u>807,573</u>	<u>-</u>	<u>-</u>
Change in net assets	182,891	637,580	866,788	398,521	1,049,679	1,036,101
Net assets at beginning of year	<u>33,178,722</u>	<u>32,541,142</u>	<u>26,427,574</u>	<u>26,029,053</u>	<u>59,606,296</u>	<u>58,570,195</u>
Net assets at end of year	<u>\$ 33,361,613</u>	<u>\$ 33,178,722</u>	<u>\$ 27,294,362</u>	<u>\$ 26,427,574</u>	<u>\$ 60,655,975</u>	<u>\$ 59,606,296</u>

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Governmental Activities**

Governmental activities net assets increased \$182,891 in 2009. This increase is the result of decreasing revenues still outpacing decreased expenses within the City's conservative budgeting.

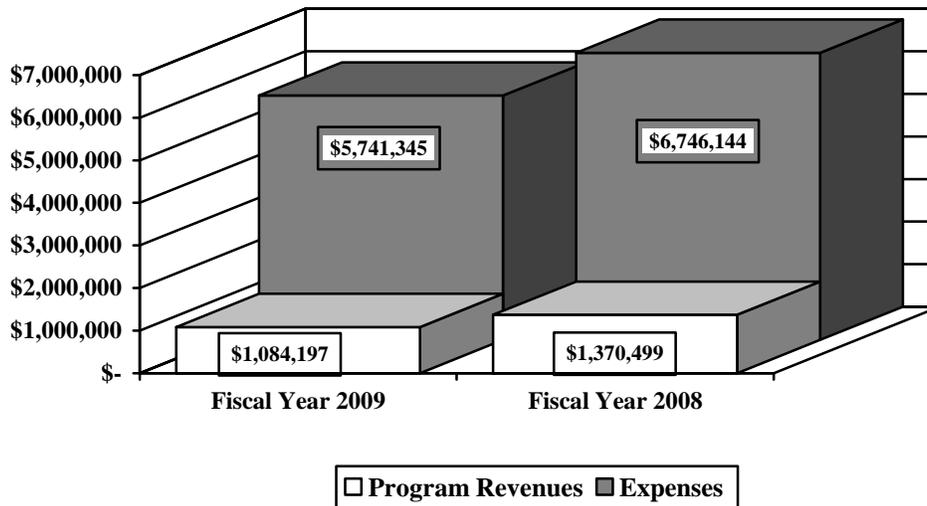
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$2,975,506 of the total expenses of the City. These expenses were partially funded by \$366,636 in direct charges to users of the services. Transportation expenses totaled \$1,530,396.

The state and federal government contributed to the City a total of \$342,529 in operating grants and contributions and \$149,280 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$338,013, subsidized transportation programs, and \$4,516 subsidized security of persons and property. Of the total capital grants and contributions, \$103,631, subsidized transportation programs and \$4,449 subsidized security of persons and property.

General revenues totaled \$5,581,878, and amounted to 83.74% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,487,929. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$659,855.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

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



**CITY OF ST. MARYS, OHIO**

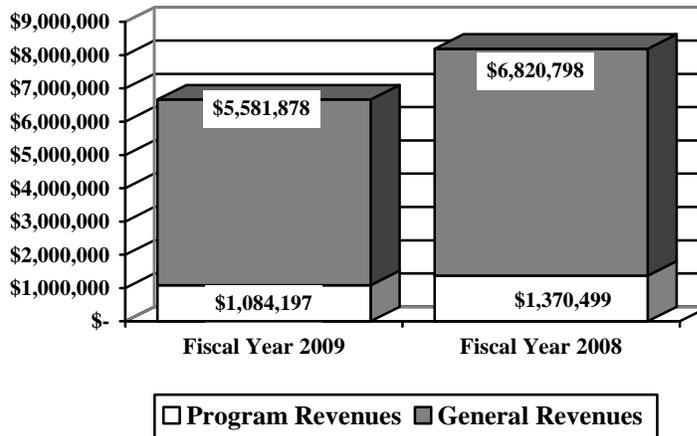
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Governmental Activities**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses:				
General government	\$ 785,323	\$ 631,246	\$ 1,308,917	\$ 1,166,986
Security of persons and property	2,975,506	2,599,905	3,129,436	2,801,416
Public health and welfare	34,343	30,497	13,583	11,971
Transportation	1,530,396	1,088,752	1,769,028	1,002,017
Community environment	80,002	76,876	23,336	20,659
Leisure time activity	319,293	213,390	465,614	336,366
Other	-	-	12,281	12,281
Interest and fiscal charges	<u>16,482</u>	<u>16,482</u>	<u>23,949</u>	<u>23,949</u>
<b>Total expenses</b>	<b><u>\$ 5,741,345</u></b>	<b><u>\$ 4,657,148</u></b>	<b><u>\$ 6,746,144</u></b>	<b><u>\$ 5,375,645</u></b>

The dependence upon general revenues for governmental activities is apparent, with 81.12% of expenses supported through taxes and other general revenues.

**Governmental Activities - General and Program Revenues**



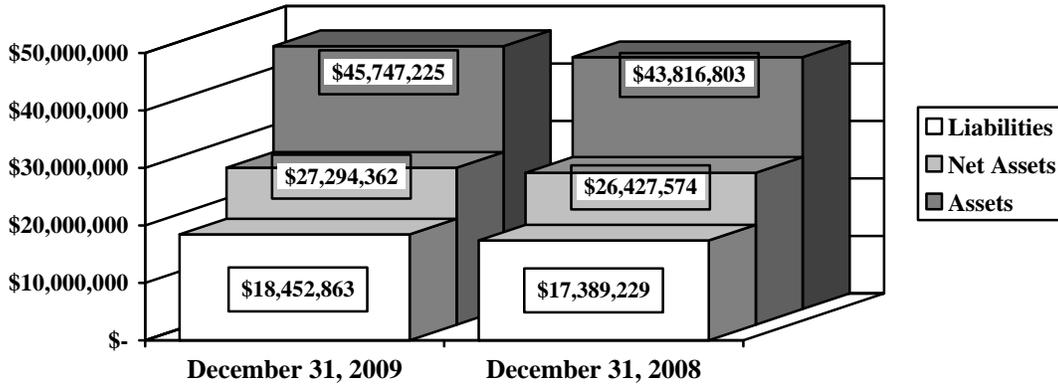
**Business-Type Activities**

Business-type activities include the water, sewer, electric and refuse enterprise funds. These programs had program revenues of \$18,903,377, general revenues of \$445,396 and expenses of \$19,223,824 for 2009.

**CITY OF ST. MARYS, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business - Type Activities**



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

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$13,487,427 which is \$404,325 lower than last year's total of \$13,891,752. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds.

	Fund Balances 12/31/09	Fund Balances 12/31/08	(Decrease)
Major Funds:			
General	\$ 4,521,632	\$ 4,681,655	\$ (160,023)
Other Nonmajor Governmental Funds	<u>8,965,795</u>	<u>9,210,097</u>	<u>(244,302)</u>
Total	<u>\$ 13,487,427</u>	<u>\$ 13,891,752</u>	<u>\$ (404,325)</u>

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

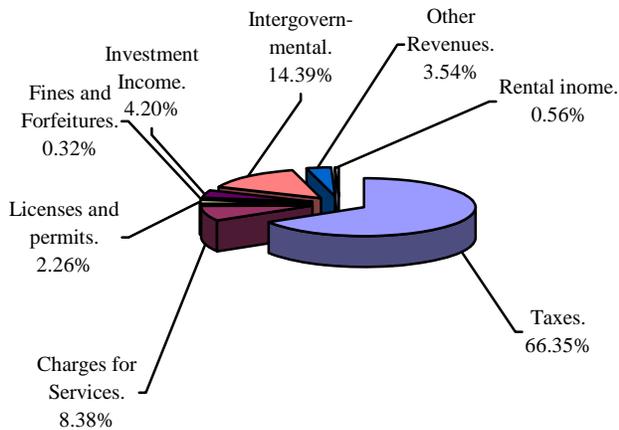
**General Fund**

The City's general fund balance decreased \$160,023 primarily due to the net effect of a slight increase in revenues, a decrease in expenses, and a decrease in transfers out. The table that follows assists in illustrating the revenues of the general fund.

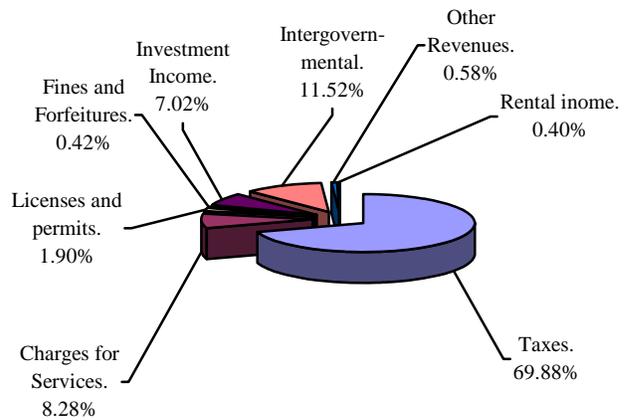
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 2,990,571	\$ 3,148,924	(5.03) %
Charges for services	377,806	373,076	1.27 %
Licenses, permits and fees	101,632	85,574	18.77 %
Fines and forfeitures	14,344	18,985	(24.45) %
Intergovernmental	648,360	519,164	24.89 %
Investment income	189,426	316,124	(40.08) %
Rental income	25,060	18,235	37.43 %
Other	159,760	26,279	507.94 %
<b>Total</b>	<b><u>\$ 4,506,959</u></b>	<b><u>\$ 4,506,361</u></b>	<b>0.01 %</b>

Tax revenues decreased \$158,353 or 5.03% from the prior year. This decrease is attributed to a decrease in income tax revenues. The decrease in investment income is due to lower interest rates available to the City on monies held in depository and investment accounts. All other revenues remained comparable to 2008.

**Revenues - Fiscal Year 2009**



**Revenues - Fiscal Year 2008**



**CITY OF ST. MARYS, OHIO**

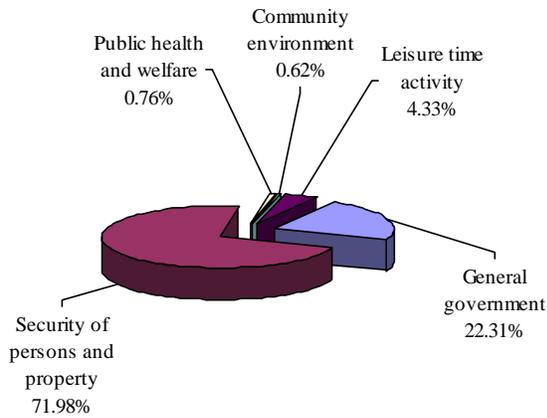
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

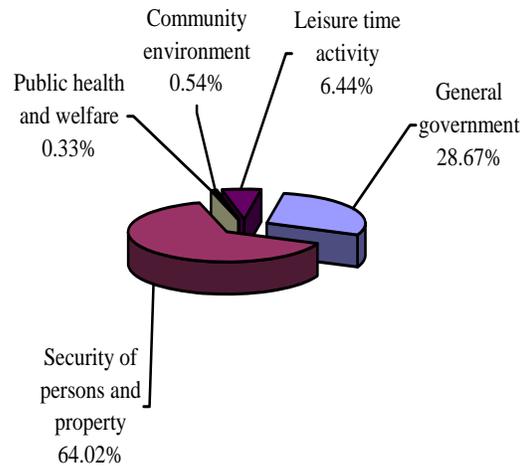
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percent</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 807,888	\$ 1,100,990	(26.62) %
Security of person and property	2,606,310	2,458,700	6.00 %
Public health and welfare	27,528	12,501	120.21 %
Community environment	22,373	20,764	7.75 %
Leisure time activity	<u>156,760</u>	<u>247,432</u>	(36.65) %
<b>Total</b>	<b><u>\$ 3,620,859</u></b>	<b><u>\$ 3,840,387</u></b>	<b>(5.72) %</b>

Total expenditures decreased by \$219,528 or 5.72%. This decrease is attributed to increased vigilance by City management to try and control expenditures.

**Expenditures - Fiscal Year 2009**



**Expenditures - Fiscal Year 2008**



## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

#### ***Budgeting Highlights - General Fund***

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

Budgetary information is presented for the general fund. In the general fund one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$179,981 from \$5,761,616 to \$5,941,597. Actual revenues of \$4,431,644 decreased from the final budgeted revenues by \$841,600. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures and other financing uses came in \$1,087,964 lower than the final budgeted amounts.

#### ***Proprietary Funds***

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

#### ***Water Fund***

The water fund had operating revenues of \$1,153,678 in 2009. This represents a decrease of \$9,112 from 2008 operating revenues. The operating expenses of the water fund, which totaled \$1,193,695 in 2009, decreased \$54,390 from 2008. The decrease in net assets for the water fund was \$36,175 or 0.59%.

#### ***Sewer Fund***

The sewer fund had operating revenues of \$2,112,291 in 2009. This represents an increase of \$5,117 from 2008 operating revenues. The operating expenses of the sewer fund, which totaled \$1,751,998 in 2009, increased \$349,680 from 2008. The increase in net assets for the sewer fund was \$322,675 or 4.43%.

#### ***Electric Fund***

The electric fund had operating revenues of \$15,190,834 in 2009. This represents an increase of \$67,774 from 2008 operating revenues. The operating expenses of the electric fund, which totaled \$15,711,937 in 2009, decreased \$128,113 from 2008. The increase in net assets for the electric fund was \$87,616 or 0.66%.

#### ***Refuse Fund***

The refuse fund had operating revenues of \$841,178 in 2009. This represents a decrease of \$15,509 from 2008 operating revenues. The operating expenses of the refuse fund, which totaled \$620,397 in 2009, decreased \$340,874 from 2008. The increase in the net assets for the refuse fund was \$222,459 from a deficit of \$115,719 to a positive balance of \$106,740.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Capital Assets and Debt Administration**

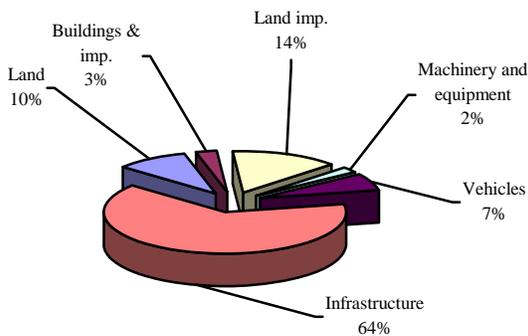
***Capital Assets***

At the end of fiscal 2009, the City had \$49,460,289 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Of this total, \$19,242,024 was reported in governmental activities and \$30,218,265 was reported in business-type activities. The following table shows fiscal 2009 balances compared to 2008:

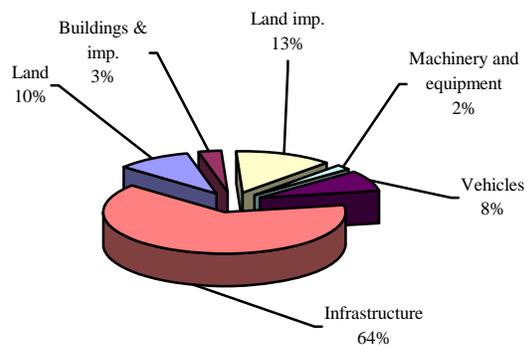
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,893,545	\$ 1,881,561	\$ 1,194,470	\$ 1,194,470	\$ 3,088,015	\$ 3,076,031
Construction in progress	-	-	11,420,862	7,736,491	11,420,862	7,736,491
Land improvements	2,786,414	2,289,320	2,300,362	2,487,496	5,086,776	4,776,816
Buildings and improvements	500,806	503,151	1,183,909	1,314,305	1,684,715	1,817,456
Machinery and equipment	445,107	347,634	2,029,783	2,255,439	2,474,890	2,603,073
Vehicles	1,256,542	1,425,867	572,686	530,145	1,829,228	1,956,012
Infrastructure	12,359,610	11,583,546	11,021,662	10,347,759	23,381,272	21,931,305
<b>Total</b>	<b>\$ 19,242,024</b>	<b>\$ 18,031,079</b>	<b>\$ 29,723,734</b>	<b>\$ 25,866,105</b>	<b>\$ 48,965,758</b>	<b>\$ 43,897,184</b>

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

**Capital Assets - Governmental Activities  
2009**



**Capital Assets - Governmental Activities  
2008**

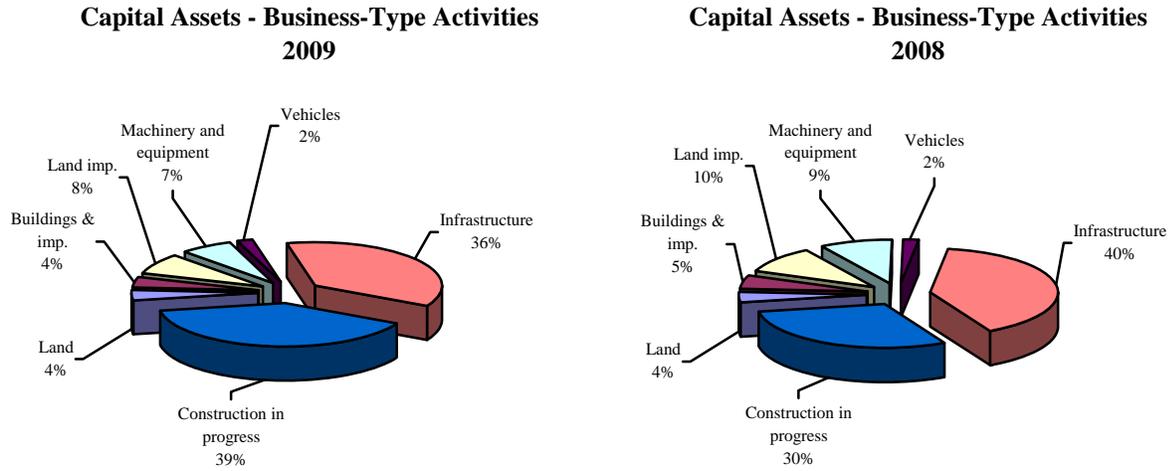


The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, right-of-way, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 64% of the City's total governmental capital assets.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.



The City's second largest business-type capital asset category is infrastructure. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 40.01% of the City's total business-type capital assets. Additional information on the City's capital assets can be found in Note 10.

***Debt Administration***

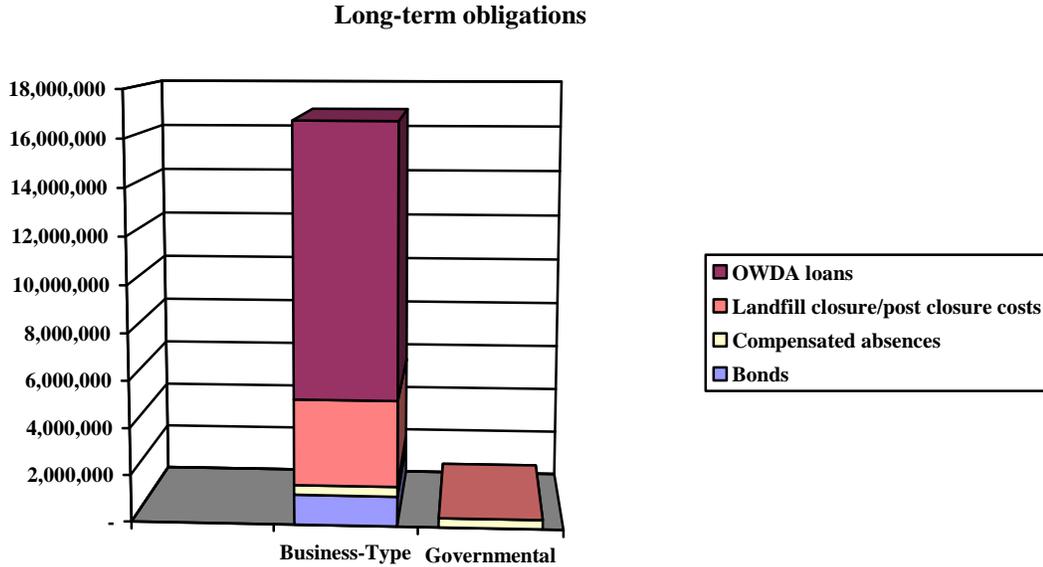
The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Compensated absences	\$ 391,948	\$ 377,398
Total long-term obligations	<u>\$ 391,948</u>	<u>\$ 377,398</u>
	<u>Business-Type Activities</u>	
Revenue bonds	\$ -	\$ 245,000
General obligation bonds	<u>1,273,053</u>	<u>1,357,745</u>
Total bonds	<u>1,273,053</u>	<u>1,602,745</u>
Compensated absences	416,738	402,498
OWDA loans	11,437,005	7,736,401
Landfill closure/post closure costs	<u>3,629,040</u>	<u>3,713,670</u>
Total long-term obligation	<u>\$ 16,755,836</u>	<u>\$ 13,455,314</u>

CITY OF ST. MARYS, OHIO

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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



**Economic Conditions and Outlook**

One of the largest manufacturing plants in St. Marys remains the Goodyear Tire & Rubber Company, with an employment of 430 employees at the local plant. Goodyear has kept the local Engineered Products Plant competitive and responsible to the global marketplace changes. The primary products produced at the local Goodyear plant today are agricultural rubber tracks called the “trackman” and military rubber tank treads produced for use on the Army’s primary battle tank, the Abrams M1 tank, which is produced in Lima. The local Goodyear Engineered Plant may be sold to the Carlyle Group, pending necessary approvals. It is hoped the Carlyle Group will have the capital funds to add new equipment and new employment opportunities for the future of the local plant.

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

Setex was the first Japanese company to call St. Marys home when it started the production of automobile seats for Honda in the late 1980’s. Over the past 15 years, Setex has experienced tremendous growth, with employment levels increasing from the initial 65 employees to the current 525 employees. Setex also increased production capacity significantly by first doubling the size of their initial plant and later constructing a new manufacturing plant to permit production of seats for a variety of Honda automobile lines.

AAP St. Marys Corporation, a division of Hitachi Metals America Ltd., established their aluminum wheel casting plant in St. Marys in 1988. AAP St. Marys has also experienced tremendous growth, with employment levels increasing from the initial 65 employees to the 450 employees today. AAP is currently undergoing a major building expansion and investment in new machinery and equipment. The expansion project is estimated at \$23 million with 50 new employees expected to be hired. These 450 to 500 employees provide a key component of the stable industrial base in St. Marys.

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

St. Marys also has other manufacturing industries that add stability to the local economy. Parker Hannifin Corporation, employing 175 workers, manufactures hydraulic cylinder components and recently constructed a new plant in the City. Omni Manufacturing, Inc., a metal tooling and stamping plant, has enjoyed steady growth with an employment level near 130. In addition, the St. Marys Foundry, Inc., Pro-Pet, LLC, Classic Delight, Inc., MTO, and others combine to offer diverse manufacturing jobs for families in the St. Marys area.

Joint Township District Memorial Hospital has just completed a multi-million dollar expansion project that will further enhance an already excellent level of health care for St. Marys and the entire region. Joint Township District Memorial Hospital remains the top non-manufacturing sector employer with over 650 workers.

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

#### **For the Future**

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

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

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

Our future promises to be even brighter than our historic past. St. Marys is a community of nearly 9,000 residents. The people embrace a lifestyle based on strong family values. Caring for and respecting our neighbors is a way of life. The police, fire, and EMS forces offer hometown security only experienced in a rural setting such as St. Marys. Utility services offered by the City are some of the most reliable and economical in the entire region.

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

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

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Contacting the City's Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 12,507,719	\$ 11,489,408	\$ 23,997,127
Cash with escrow agent . . . . .	-	50,733	50,733
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	646,917	-	646,917
Real and other taxes . . . . .	592,207	62,954	655,161
Accounts . . . . .	38,281	1,838,781	1,877,062
Special assessments . . . . .	345,960	1,395	347,355
Loans . . . . .	831,281	-	831,281
Accrued interest . . . . .	2,123	-	2,123
Internal balance . . . . .	(364,857)	364,857	-
Due from other governments . . . . .	520,211	4,610	524,821
Prepayments . . . . .	52,848	89,588	142,436
Materials and supplies inventory . . . . .	100,959	561,141	662,100
Investment in joint venture . . . . .	-	1,028,643	1,028,643
Restricted assets:			
Deposits in segregated accounts . . . . .	-	257,618	257,618
Refundable deposits . . . . .	-	273,763	273,763
Cash with fiscal agent . . . . .	99,742	-	99,742
Capital assets:			
Land and construction in progress . . . . .	1,893,545	12,615,332	14,508,877
Depreciable capital assets, net . . . . .	17,348,479	17,108,402	34,456,881
Total capital assets . . . . .	<u>19,242,024</u>	<u>29,723,734</u>	<u>48,965,758</u>
Total assets . . . . .	<u>34,615,415</u>	<u>45,747,225</u>	<u>80,362,640</u>

(continued)

**CITY OF ST. MARYS, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 23,250	\$ 1,240,618	\$ 1,263,868
Contracts payable. . . . .	7,945	28,062	36,007
Retainage payable . . . . .	22,428	40,606	63,034
Accrued wages and benefits . . . . .	53,687	44,023	97,710
Due to other governments . . . . .	130,125	32,911	163,036
Judgements payable . . . . .	5,000	-	5,000
Unearned revenue. . . . .	579,200	-	579,200
Accrued interest payable. . . . .	219	37,044	37,263
Notes payable . . . . .	40,000	-	40,000
Payable from restricted assets:			
Refundable deposits. . . . .	-	273,763	273,763
Long-term liabilities:			
Due within one year. . . . .	88,843	174,798	263,641
Due in more than one year . . . . .	303,105	16,581,038	16,884,143
	<hr/>	<hr/>	<hr/>
Total liabilities . . . . .	1,253,802	18,452,863	19,706,665
	<hr/>	<hr/>	<hr/>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	19,202,024	17,013,676	36,215,700
Restricted for:			
Capital projects. . . . .	5,801,606	-	5,801,606
Debt service . . . . .	24,666	-	24,666
Transportation projects . . . . .	1,432,167	-	1,432,167
Community improvements. . . . .	2,259,973	-	2,259,973
Other purposes. . . . .	34,569	-	34,569
Unrestricted. . . . .	4,606,608	10,280,686	14,887,294
	<hr/>	<hr/>	<hr/>
Total net assets . . . . .	\$ 33,361,613	\$ 27,294,362	\$ 60,655,975
	<hr/>	<hr/>	<hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 785,323	\$ 112,877	\$ -	\$ 41,200
Security of persons and property . . . . .	2,975,506	366,636	4,516	4,449
Public health and welfare . . . . .	34,343	3,846	-	-
Transportation. . . . .	1,530,396	-	338,013	103,631
Community environment . . . . .	80,002	3,126	-	-
Leisure time activity . . . . .	319,293	105,903	-	-
Interest and fiscal charges. . . . .	16,482	-	-	-
Total governmental activities . . . . .	<u>5,741,345</u>	<u>592,388</u>	<u>342,529</u>	<u>149,280</u>
<b>Business-type Activities:</b>				
Water . . . . .	1,154,915	1,082,100	-	-
Sewer . . . . .	1,753,392	2,077,714	-	-
Electric . . . . .	15,737,982	14,939,562	-	-
Refuse . . . . .	577,535	804,001	-	-
Total business-type activities . . . . .	<u>19,223,824</u>	<u>18,903,377</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 24,965,169</u>	<u>\$ 19,495,765</u>	<u>\$ 342,529</u>	<u>\$ 149,280</u>

**General Revenues:**

Property taxes levied for:	
General operations. . . . .	
Special purposes. . . . .	
Income taxes levied for:	
General operations. . . . .	
Special revenue . . . . .	
Capital projects . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
Total general revenues. . . . .	
Transfers. . . . .	
Change in net assets. . . . .	
<b>Net assets at beginning of year . . . . .</b>	
<b>Net assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (631,246)	\$ -	\$ (631,246)
(2,599,905)	-	(2,599,905)
(30,497)	-	(30,497)
(1,088,752)	-	(1,088,752)
(76,876)	-	(76,876)
(213,390)	-	(213,390)
(16,482)	-	(16,482)
<u>(4,657,148)</u>	<u>-</u>	<u>(4,657,148)</u>
-	(72,815)	(72,815)
-	324,322	324,322
-	(798,420)	(798,420)
-	226,466	226,466
<u>-</u>	<u>(320,447)</u>	<u>(320,447)</u>
<u>(4,657,148)</u>	<u>(320,447)</u>	<u>(4,977,595)</u>
1,110,785	-	1,110,785
86,912	-	86,912
1,731,841	-	1,731,841
367,975	-	367,975
1,190,416	-	1,190,416
659,855	5,406	665,261
204,115	49,180	253,295
229,979	390,810	620,789
<u>5,581,878</u>	<u>445,396</u>	<u>6,027,274</u>
<u>(741,839)</u>	<u>741,839</u>	<u>-</u>
182,891	866,788	1,049,679
<u>33,178,722</u>	<u>26,427,574</u>	<u>59,606,296</u>
<u>\$ 33,361,613</u>	<u>\$ 27,294,362</u>	<u>\$ 60,655,975</u>

**CITY OF ST. MARYS, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 4,198,469	\$ 8,259,532	\$ 12,458,001
Receivables (net of allowance for uncollectibles):			
Income taxes. . . . .	310,520	336,397	646,917
Real and other taxes. . . . .	494,695	97,512	592,207
Accounts. . . . .	38,281	-	38,281
Special assessments . . . . .	-	345,960	345,960
Loans . . . . .	-	831,281	831,281
Accrued interest . . . . .	2,123	-	2,123
Due from other funds. . . . .	60,495	-	60,495
Due from other governments . . . . .	283,560	236,651	520,211
Prepayments . . . . .	45,797	7,051	52,848
Materials and supplies inventory . . . . .	30,159	18,691	48,850
Restricted assets:			
Cash with fiscal agent. . . . .	-	99,742	99,742
<b>Total assets . . . . .</b>	<u>\$ 5,464,099</u>	<u>\$ 10,232,817</u>	<u>\$ 15,696,916</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 15,303	\$ 898	\$ 16,201
Contracts payable . . . . .	5,914	2,031	7,945
Retainage payable. . . . .	-	22,428	22,428
Accrued wages and benefits . . . . .	41,727	10,701	52,428
Compensated absences payable. . . . .	4,301	-	4,301
Interfund loans payable . . . . .	-	302,390	302,390
Due to other governments . . . . .	34,633	94,695	129,328
Judgements payable . . . . .	5,000	-	5,000
Unearned revenue. . . . .	484,002	95,198	579,200
Deferred revenue. . . . .	351,587	698,681	1,050,268
Notes payable . . . . .	-	40,000	40,000
<b>Total liabilities . . . . .</b>	<u>942,467</u>	<u>1,267,022</u>	<u>2,209,489</u>
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	123,838	308,043	431,881
Reserved for materials and supplies inventory. . . . .	30,159	18,691	48,850
Reserved for prepayments . . . . .	45,797	7,051	52,848
Reserved for loans . . . . .	-	831,281	831,281
Reserved for debt service . . . . .	-	12,980	12,980
Reserved for restricted assets. . . . .	-	99,742	99,742
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	4,321,838	-	4,321,838
Special revenue funds. . . . .	-	2,720,114	2,720,114
Debt service fund . . . . .	-	(302,390)	(302,390)
Capital projects funds. . . . .	-	5,270,283	5,270,283
<b>Total fund balances . . . . .</b>	<u>4,521,632</u>	<u>8,965,795</u>	<u>13,487,427</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 5,464,099</u>	<u>\$ 10,232,817</u>	<u>\$ 15,696,916</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF ST. MARYS, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009

<b>Total governmental fund balances</b>		\$ 13,487,427
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.		19,204,524
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 337,207	
Property taxes receivable	12,738	
Special assessments receivable	345,960	
Intergovernmental receivable	346,858	
Accrued interest receivable	2,123	
Accounts receivable	5,382	
Total		1,050,268
The internal service funds are used by management to charge the costs of employee insurance and the maintenance garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net assets of the internal service funds, including an internal balance of (\$122,962), are:		(4,250)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in internal service funds) are as follows:		
Compensated absences	376,137	
Accrued interest	219	
Total		(376,356)
<b>Net assets of governmental activities</b>		<b>\$ 33,361,613</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Income taxes . . . . .	\$ 1,883,774	\$ 1,722,985	\$ 3,606,759
Real and other taxes . . . . .	1,106,797	86,018	1,192,815
Charges for services . . . . .	377,806	84,001	461,807
Licenses, permits and fees . . . . .	101,632	-	101,632
Fines and forfeitures . . . . .	14,344	2,488	16,832
Special assessments . . . . .	-	162,435	162,435
Intergovernmental . . . . .	648,360	512,048	1,160,408
Investment income . . . . .	189,426	15,414	204,840
Rental income . . . . .	25,060	-	25,060
Other . . . . .	159,760	70,219	229,979
<b>Total revenues . . . . .</b>	<u>4,506,959</u>	<u>2,655,608</u>	<u>7,162,567</u>
<b>Expenditures:</b>			
Current:			
General government . . . . .	807,888	-	807,888
Security of persons and property. . . . .	2,606,310	356,665	2,962,975
Public health and welfare . . . . .	27,528	-	27,528
Transportation . . . . .	-	801,578	801,578
Community environment. . . . .	22,373	7,775	30,148
Leisure time activity . . . . .	156,760	104,653	261,413
Capital outlay. . . . .	-	1,910,750	1,910,750
Debt service:			
Interest and fiscal charges . . . . .	-	16,904	16,904
<b>Total expenditures . . . . .</b>	<u>3,620,859</u>	<u>3,198,325</u>	<u>6,819,184</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>886,100</u>	<u>(542,717)</u>	<u>343,383</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	395,159	395,159
Transfers out . . . . .	(1,037,872)	(99,126)	(1,136,998)
<b>Total other financing sources (uses) . . . . .</b>	<u>(1,037,872)</u>	<u>296,033</u>	<u>(741,839)</u>
Net change in fund balances . . . . .	(151,772)	(246,684)	(398,456)
<b>Fund balances at beginning of year . . . . .</b>	4,681,655	9,210,097	13,891,752
<b>Increase (decrease) in reserve for inventory. . . . .</b>	(8,251)	2,382	(5,869)
<b>Fund balances at end of year. . . . .</b>	<u>\$ 4,521,632</u>	<u>\$ 8,965,795</u>	<u>\$ 13,487,427</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	(398,456)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,669,957) exceeded depreciation expense (\$1,456,012) in the current period. Both amounts are exclusive of internal service funds activity.		1,213,945
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		(5,869)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(552,578)
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		422
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(9,389)
The internal service funds used by management to charge the costs of employee insurance and the maintenance garage to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balance activity of \$270,213, is allocated among the governmental activities.		(65,184)
<b>Change in net assets of governmental activities.</b>	<b>\$</b>	<b>182,891</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,242,951	\$ 2,242,951	\$ 1,884,980	\$ (357,971)
Real and other taxes . . . . .	1,320,180	1,320,180	1,109,482	(210,698)
Charges for services . . . . .	451,519	451,519	379,457	(72,062)
Licenses, permits and fees . . . . .	103,258	103,258	86,778	(16,480)
Fines and forfeitures . . . . .	18,108	18,108	15,218	(2,890)
Intergovernmental . . . . .	680,303	680,303	571,728	(108,575)
Investment income . . . . .	235,688	235,688	198,073	(37,615)
Rental income . . . . .	29,819	29,819	25,060	(4,759)
Other . . . . .	191,418	191,418	160,868	(30,550)
Total revenues . . . . .	<u>5,273,244</u>	<u>5,273,244</u>	<u>4,431,644</u>	<u>(841,600)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,375,953	1,406,923	839,130	567,793
Security of persons and property . . . . .	2,810,870	2,950,650	2,753,952	196,698
Public health and welfare . . . . .	90,375	90,375	28,273	62,102
Community environment . . . . .	24,779	24,779	22,728	2,051
Leisure time activities . . . . .	315,339	306,070	171,678	134,392
Total expenditures . . . . .	<u>4,617,316</u>	<u>4,778,797</u>	<u>3,815,761</u>	<u>963,036</u>
Excess of revenues over expenditures . . . . .	<u>655,928</u>	<u>494,447</u>	<u>615,883</u>	<u>121,436</u>
<b>Other financing sources (uses):</b>				
Transfers out . . . . .	(1,144,300)	(1,162,800)	(1,037,872)	124,928
Total other financing sources (uses) . . . . .	<u>(1,144,300)</u>	<u>(1,162,800)</u>	<u>(1,037,872)</u>	<u>124,928</u>
Net change in fund balance . . . . .	(488,372)	(668,353)	(421,989)	246,364
<b>Fund balance at beginning of year . . . . .</b>	4,376,889	4,376,889	4,376,889	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>107,161</u>	<u>107,161</u>	<u>107,161</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,995,678</u>	<u>\$ 3,815,697</u>	<u>\$ 4,062,061</u>	<u>\$ 246,364</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ST. MARYS, OHIO

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2009

	<u>Business-type Activities -</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,041,820	\$ 2,459,264	\$ 6,120,639
Cash with escrow agent . . . . .	-	50,733	-
Receivables (net of allowance for uncollectibles):			
Real and other taxes . . . . .	-	-	62,954
Accounts . . . . .	104,444	187,014	1,477,940
Special assessments . . . . .	332	1,063	-
Interfund loans . . . . .	-	-	302,390
Due from other governments . . . . .	-	-	-
Prepayments . . . . .	11,412	10,928	62,121
Materials and supplies inventory . . . . .	164,400	44,537	340,055
Noncurrent assets:			
Restricted assets:			
Deposits in segregated accounts . . . . .	-	257,618	-
Refundable deposits . . . . .	-	-	273,763
Investment in joint venture . . . . .	-	-	1,028,643
Capital assets:			
Land and construction in progress . . . . .	232,462	11,565,362	513,813
Depreciable capital assets, net . . . . .	4,712,557	4,643,067	6,227,571
Total capital assets . . . . .	<u>4,945,019</u>	<u>16,208,429</u>	<u>6,741,384</u>
Total assets . . . . .	<u>6,267,427</u>	<u>19,219,586</u>	<u>16,409,889</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	4,094	5,182	1,213,448
Contracts payable . . . . .	-	12,070	15,992
Retainage payable . . . . .	-	28,365	12,241
Accrued wages and benefits . . . . .	10,413	9,336	19,788
Compensated absences payable . . . . .	17,667	15,332	46,076
Due to other funds . . . . .	-	-	60,495
Due to other governments . . . . .	7,299	6,888	15,542
Accrued interest payable . . . . .	-	31,585	5,459
Payable from restricted assets:			
Refundable deposits . . . . .	-	-	273,763
Current portion general obligation bonds . . . . .	-	-	88,880
Long-term liabilities:			
Compensated absences . . . . .	84,527	59,701	166,921
OWDA loans payable . . . . .	-	11,437,005	-
General obligation bonds payable . . . . .	-	-	1,184,173
Landfill closure/post closure liability . . . . .	-	-	-
Total liabilities . . . . .	<u>124,000</u>	<u>11,605,464</u>	<u>3,102,778</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	4,945,019	4,771,424	5,468,331
Unrestricted (deficit) . . . . .	1,198,408	2,842,698	7,838,780
Total net assets . . . . .	<u>\$ 6,143,427</u>	<u>\$ 7,614,122</u>	<u>\$ 13,307,111</u>

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

Net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Enterprise Funds</u>		<u>Governmental Activities - Internal Service Funds</u>	
<u>Refuse</u>	<u>Total</u>		
\$ 1,867,685	\$ 11,489,408	\$ 49,718	
-	50,733	-	
-	62,954	-	
69,383	1,838,781	-	
-	1,395	-	
-	302,390	-	
4,610	4,610	-	
5,127	89,588	-	
12,149	561,141	52,109	
-	257,618	-	
-	273,763	-	
-	1,028,643	-	
303,695	12,615,332	-	
<u>1,525,207</u>	<u>17,108,402</u>	<u>37,500</u>	
<u>1,828,902</u>	<u>29,723,734</u>	<u>37,500</u>	
<u>3,787,856</u>	<u>45,684,758</u>	<u>139,327</u>	
17,894	1,240,618	7,049	
-	28,062	-	
-	40,606	-	
4,486	44,023	1,259	
6,843	85,918	2,104	
-	60,495	-	
3,182	32,911	797	
-	37,044	-	
-	273,763	-	
-	88,880	-	
19,671	330,820	9,406	
-	11,437,005	-	
-	1,184,173	-	
<u>3,629,040</u>	<u>3,629,040</u>	<u>-</u>	
<u>3,681,116</u>	<u>18,513,358</u>	<u>20,615</u>	
1,828,902	17,013,676	37,500	
<u>(1,722,162)</u>	<u>10,157,724</u>	<u>81,212</u>	
<u>\$ 106,740</u>	<u>27,171,400</u>	<u>\$ 118,712</u>	
	<u>122,962</u>		
	<u>\$ 27,294,362</u>		

**CITY OF ST. MARYS, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Business-type Activities -</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 1,079,196	\$ 2,077,714	\$ 14,939,562
Tap-in fees. . . . .	2,904	-	-
Rental income . . . . .	1,473	-	8,924
Other. . . . .	70,105	34,577	242,348
<b>Total operating revenues . . . . .</b>	<b>1,153,678</b>	<b>2,112,291</b>	<b>15,190,834</b>
<b>Operating expenses:</b>			
Personal services . . . . .	716,340	660,670	1,194,112
Contractual services. . . . .	86,649	547,288	328,127
Materials and supplies . . . . .	145,077	296,656	13,554,451
Claims expense . . . . .	-	-	-
Depreciation . . . . .	245,242	246,676	580,718
Other . . . . .	387	708	54,529
<b>Total operating expenses. . . . .</b>	<b>1,193,695</b>	<b>1,751,998</b>	<b>15,711,937</b>
<b>Operating income (loss) . . . . .</b>	<b>(40,017)</b>	<b>360,293</b>	<b>(521,103)</b>
<b>Nonoperating revenues (expenses):</b>			
Interest and fiscal charges . . . . .	-	(43,921)	(94,428)
Interest revenue. . . . .	3,842	6,303	33,563
Decrease in investment in joint venture . . . . .	-	-	(72,255)
Other local tax revenue. . . . .	-	-	5,406
Excise tax expense . . . . .	-	-	(5,406)
<b>Total nonoperating revenues (expenses) . . . . .</b>	<b>3,842</b>	<b>(37,618)</b>	<b>(133,120)</b>
<b>Net income (loss) before transfers. . . . .</b>	<b>(36,175)</b>	<b>322,675</b>	<b>(654,223)</b>
<b>Transfers in . . . . .</b>	<b>-</b>	<b>-</b>	<b>741,839</b>
<b>Changes in net assets . . . . .</b>	<b>(36,175)</b>	<b>322,675</b>	<b>87,616</b>
<b>Net assets (deficit) at beginning of year . . . . .</b>	<b>6,179,602</b>	<b>7,291,447</b>	<b>13,219,495</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 6,143,427</b>	<b>\$ 7,614,122</b>	<b>\$ 13,307,111</b>

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

Changes in net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>	
<b>Refuse</b>	<b>Total</b>		
\$ 804,001	\$ 18,900,473	\$ 519,360	
-	2,904	-	
8,837	19,234	-	
28,340	375,370	30,825	
<hr/>	<hr/>	<hr/>	
841,178	19,297,981	550,185	
<hr/>	<hr/>	<hr/>	
304,531	2,875,653	77,821	
191,409	1,153,473	1,234	
11,639	14,007,823	256,069	
-	-	7,629	
112,783	1,185,419	3,000	
35	55,659	-	
<hr/>	<hr/>	<hr/>	
620,397	19,278,027	345,753	
<hr/>	<hr/>	<hr/>	
220,781	19,954	204,432	
<hr/>	<hr/>	<hr/>	
-	(138,349)	-	
1,678	45,386	597	
-	(72,255)	-	
-	5,406	-	
-	(5,406)	-	
<hr/>	<hr/>	<hr/>	
1,678	(165,218)	597	
<hr/>	<hr/>	<hr/>	
222,459	(145,264)	205,029	
-	741,839	-	
<hr/>	<hr/>	<hr/>	
222,459	596,575	205,029	
(115,719)		(86,317)	
<hr/>	<hr/>	<hr/>	
\$ 106,740		\$ 118,712	
<hr/>	<hr/>	<hr/>	
	270,213		
	<hr/>		
	\$ 866,788		
	<hr/>		

**CITY OF ST. MARYS, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

**Business-type Activities -**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services . . . . .	\$ 1,079,086	\$ 2,087,347	\$ 14,837,438
Cash received from tap-in fees. . . . .	2,904	-	-
Cash received from rental charges . . . . .	1,473	-	8,924
Cash received from other operations. . . . .	71,045	94,783	368,251
Cash payments for personal services . . . . .	(718,805)	(664,347)	(1,207,111)
Cash payments for contract services. . . . .	(88,316)	(920,732)	(340,190)
Cash payments for materials and supplies . . . . .	(104,642)	(428,702)	(13,321,516)
Cash payments for claims expense. . . . .	-	-	-
Cash payments for other operations . . . . .	(387)	(708)	(135,794)
Net cash provided by (used in) operating activities. . . . .	<u>242,358</u>	<u>167,641</u>	<u>210,002</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from transfers in. . . . .	-	-	741,839
Cash received from other governments. . . . .	-	-	-
Cash received from other local taxes. . . . .	-	-	5,406
Cash payments for excise tax expense . . . . .	-	-	(5,406)
Net cash provided by noncapital financing activities. . . . .	<u>-</u>	<u>-</u>	<u>741,839</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash payments for the acquisition of capital assets . . . . .	(415,304)	(3,800,154)	(490,283)
Cash received from OWDA loans issued . . . . .	-	3,363,297	-
Cash payments for principal retirement . . . . .	-	(245,000)	(1,384,692)
Cash payments for interest and fiscal charges. . . . .	-	(12,618)	(107,753)
Net cash provided by (used in) capital and related financing activities . . . . .	<u>(415,304)</u>	<u>(694,475)</u>	<u>(1,982,728)</u>
<b>Cash flows from investing activities:</b>			
Cash received from interest earned . . . . .	<u>4,150</u>	<u>6,573</u>	<u>34,404</u>
Net cash provided by investing activities. . . . .	<u>4,150</u>	<u>6,573</u>	<u>34,404</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(168,796)	(520,261)	(996,483)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>1,210,616</u>	<u>3,287,876</u>	<u>7,390,885</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 1,041,820</u>	<u>\$ 2,767,615</u>	<u>\$ 6,394,402</u>

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>	
<b>Refuse</b>	<b>Total</b>		
\$ 803,674	\$ 18,807,545	\$ 523,201	
-	2,904	-	
10,212	20,609	-	
23,730	557,809	30,825	
(305,002)	(2,895,265)	(77,605)	
(274,181)	(1,623,419)	(1,234)	
(19,601)	(13,874,461)	(273,992)	
-	-	(206,926)	
(35)	(136,924)	-	
<hr/>	<hr/>	<hr/>	
238,797	858,798	(5,731)	
<hr/>	<hr/>	<hr/>	
-	741,839	-	
766,745	766,745	-	
-	5,406	-	
-	(5,406)	-	
<hr/>	<hr/>	<hr/>	
766,745	1,508,584	-	
<hr/>	<hr/>	<hr/>	
-	(4,705,741)	-	
-	3,363,297	-	
(649,000)	(2,278,692)	-	
(20,298)	(140,669)	-	
<hr/>	<hr/>	<hr/>	
(669,298)	(3,761,805)	-	
<hr/>	<hr/>	<hr/>	
1,678	46,805	648	
<hr/>	<hr/>	<hr/>	
1,678	46,805	648	
<hr/>	<hr/>	<hr/>	
337,922	(1,347,618)	(5,083)	
<hr/>	<hr/>	<hr/>	
1,529,763	13,419,140	54,801	
<hr/>	<hr/>	<hr/>	
\$ 1,867,685	\$ 12,071,522	\$ 49,718	

(continued)

**CITY OF ST. MARYS, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>Business-type Activities -</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss) . . . . .	\$ (40,017)	\$ 360,293	\$ (521,103)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation . . . . .	245,242	246,676	580,718
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable. . . . .	208	6,681	(114,400)
Decrease in special assessments receivable. . . . .	592	2,952	-
(Increase) decrease in due from other governments . . . .	30	-	-
Decrease in interfund loans receivable. . . . .	-	-	38,290
(Increase) decrease in materials and supplies inventory .	44,325	(14,554)	57,129
Decrease in prepayments . . . . .	(1,667)	(1,534)	(5,187)
Increase (decrease) in accounts payable. . . . .	(3,890)	(31,859)	136,490
Increase in contracts payable . . . . .	-	12,070	15,992
Increase in retainage payable . . . . .	-	(409,407)	12,241
Decrease in accrued wages and benefits . . . . .	(4,859)	(4,668)	(13,079)
Increase in compensated absences payable . . . . .	3,527	2,008	4,222
Decrease in due to other governments . . . . .	(1,133)	(1,017)	(4,142)
Increase in refundable deposits liability. . . . .	-	-	22,831
Decrease in landfill closure/post closure liability . . . .	-	-	-
Decrease in claims payable . . . . .	-	-	-
Net cash provided by (used in) operating activities . . . .	<u>\$ 242,358</u>	<u>\$ 167,641</u>	<u>\$ 210,002</u>
<b>Non-cash transactions:</b>			
Capitalized interest on OWDA loan. . . . .	\$ -	\$ 337,307	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Enterprise Funds</u>		<u>Governmental Activities - Internal Service Funds</u>
<u>Refuse</u>	<u>Total</u>	
\$ 220,781	\$ 19,954	\$ 204,432
112,783	1,185,419	3,000
1,048	(106,463)	3,841
-	3,544	-
(4,610)	(4,580)	-
-	38,290	-
(7,962)	78,938	(18,649)
(1,041)	(9,429)	-
2,899	103,640	726
-	28,062	-
-	(397,166)	-
(3,992)	(26,598)	(551)
4,483	14,240	860
(962)	(7,254)	(93)
-	22,831	-
(84,630)	(84,630)	-
-	-	(199,297)
<u>\$ 238,797</u>	<u>\$ 858,798</u>	<u>\$ (5,731)</u>

\$ -      \$ 337,307      \$ -

**CITY OF ST. MARYS, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2009**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 75,288
Receivables:	
Income taxes . . . . .	562,990
Accounts. . . . .	<u>14,523</u>
Total assets . . . . .	<u>\$ 652,801</u>
<b>Liabilities:</b>	
Due to other governments. . . . .	\$ 592,185
Payroll withholdings . . . . .	695
Undistributed assets. . . . .	<u>59,921</u>
Total liabilities . . . . .	<u>\$ 652,801</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## CITY OF ST. MARYS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

#### NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units for 2009.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

***JOINT VENTURE WITH EQUITY INTEREST***

Ohio Municipal Electric Generation Agency Joint Venture

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009, the City of St. Marys has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2009 was \$1,033,143 (including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$1,028,643 at December 31, 2009. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2009 are:

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

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

Year Ended December 31,	Total Debt		
	Principal	Interest	Service
2010	\$ 88,880	\$ 63,453	\$ 152,333
2011	93,638	58,787	152,425
2012	98,586	53,871	152,457
2013	103,725	48,695	152,420
2014	109,054	43,249	152,303
2015 - 2020	779,170	135,062	914,232
Total Gross Liability	1,273,053	\$ 403,117	\$ 1,676,170
Less: Amounts Held in Reserve	(239,910)		
Net Obligation	<u>\$ 1,033,143</u>		

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

***INSURANCE PURCHASING POOL***

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

**B. Basis of Presentation**

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

***Government-Wide Financial Statements*** - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

***Fund Financial Statements*** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**C. Fund Accounting**

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

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

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

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

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

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

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

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

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

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

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

## CITY OF ST. MARYS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

#### **D. Measurement Focus**

***Government-Wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

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

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

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

#### **E. Basis of Accounting**

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue in the fund financial statements.

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

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**F. Budgetary Process**

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

***Tax Budget*** - A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County auditor waived this requirement for 2009.

***Estimated Resources*** - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or before December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended official certificate of estimated resources issued during 2009.

***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.

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

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

*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.

**G. Cash and Investments**

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

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

Cash and cash equivalents that are held separately by the City for retainage payments, and are held within the City treasury, are recorded on the financial statements as "cash with escrow agent".

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2009.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2009 was \$189,426, which includes \$145,772 assigned from other City funds.

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

**H. Loans Receivable**

Loans 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. See Note 8 for further information on the City's loans receivable.

**I. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2009 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**J. Inventories of Materials and Supplies**

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

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

**K. Capital Assets**

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 - 25 years	20 - 25 years
Buildings	20 - 25 years	25 years
Building improvements	20 - 25 years	25 years
Equipment and machinery	7 - 15 years	7 - 25 years
Vehicles	7 - 10 years	7 - 10 years
Infrastructure	20 - 40 years	10 - 50 years

**L. Compensated Absences**

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

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

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

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

**N. Interfund Balances**

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

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

**O. Interfund Activity**

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

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

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

**P. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds. Proprietary net assets are restricted for resources necessary to comply with bond financing agreements.

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

**Q. 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 financial statements 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. In addition, restricted assets represent permissive tax monies held by Auglaize County.

**R. Unamortized Bond Issuance Costs**

Bond issuance costs for governmental and business-type activities are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Unamortized bond issuance costs are reported separately on the statement of net assets. As of December 31, 2009, unamortized bond issuance costs are not included in the basic financial statements of the City, as the final bond issuance costs were recognized in 2009.

**S. Unamortized Deferred Charges on Advance Refunding**

For advance refundings resulting in the defeasance of debt reported in the enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. These deferred charges are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction to the reported amount of the new debt. As of December 31, 2009, unamortized deferred charges are not included in the basic financial statements of the City, as the final deferred charges were recognized in 2009.

**T. Estimates**

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

**U. Capital Contributions**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**V. Net Assets**

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

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

**W. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57, "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances/Net Assets**

<u>Nonmajor governmental funds</u>	
Police pension	\$ 34,031
Fire pension	38,085
Special assessment bond retirement	289,410
Special assessment improvement	29,552

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

**C. Noncompliance**

The City had expenditures in excess of appropriations at and during the year ended December 31, 2009 in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Cash with escrow agent:* At year end, the City had \$50,733 deposited with a financial institution for monies related to the retainage on a wastewater treatment plant construction project. This amount is included in the “deposits with financial institutions” below.

*Restricted cash with fiscal agent:* At year end, the City had \$99,742 on deposit with a financial institution for permissive tax monies held by Auglaize County. The data regarding insurance and collateralization can be obtained from the Auglaize County financial report for the year ended December 31, 2009. This amount is not included in “investments” below.

*Restricted assets:* At year end, the City had various deposits which were restricted (See Note 18). These amounts are included in “deposits with financial institutions” below.

**A. Deposits with Financial Institutions**

At December 31, 2009, the carrying amount of all City deposits was \$15,890,130. As of December 31, 2009, \$1,550,733 of the City’s bank balance of \$16,066,698 was covered by the Federal Deposit Insurance Corporation, and \$14,515,965 was exposed to custodial risk as discussed below.

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

**B. Investments**

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>More than 24 months</u>
FHLB	\$ 1,987,273	\$ -	\$ 1,987,273
FHLMC	1,004,080	-	1,004,080
U.S. Treasury money			
market mutual funds	772,620	772,620	-
STAR Ohio	5,000,426	5,000,426	-
Total	<u>\$ 8,764,399</u>	<u>\$ 5,773,046</u>	<u>\$ 2,991,353</u>

At December 31, 2009, the weighted average maturity of investments is 1.26 years.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

*Concentration of Credit Risk:* The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,987,273	22.67
FHLMC	1,004,080	11.46
U.S. Treasury money market mutual funds	772,620	8.82
STAR Ohio	<u>5,000,426</u>	<u>57.05</u>
Total	<u>\$ 8,764,399</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 15,890,130
Investments	8,764,399
Restricted cash with fiscal agent	<u>99,742</u>
Total	<u>\$ 24,754,271</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 12,607,461
Business type activities	12,071,522
Agency funds	<u>75,288</u>
Total	<u>\$ 24,754,271</u>

**NOTE 5 - INTERFUNDS**

- A.** Transfers in and out consisted of the following, as reported in the fund financial statements for the year ended December 31, 2009:

<u>Transfers out of general fund and into:</u>	
Nonmajor governmental funds	\$ 296,033
Electric fund	741,839
<u>Transfers out of nonmajor governmental funds and into:</u>	
Nonmajor governmental funds	<u>99,126</u>
Total	<u>\$ 1,136,998</u>

All transfers were legal and in compliance with Ohio Revised Code. The most significant transfer that occurred during the year was a \$741,839 transfer from the general fund to the electric fund. This transfer was related to the kilowatt hour tax that is collected in the general fund and pertains to electric operations. Transfers into other nonmajor governmental funds in the amount of \$296,033 were to provide funds for police and fire pension contributions and to meet debt service requirements. The \$99,126 transfer was from the debt service fund (a nonmajor governmental fund) to the special assessment improvement fund (a nonmajor governmental fund) for principal and interest payments on fund liability bond anticipation notes. Transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund loans receivable and payable consisted of the following, as reported in the fund financial statements for the year ended December 31, 2009:

<u>Interfund loans receivable in the electric fund from:</u>	
Nonmajor governmental funds	<u>\$ 302,390</u>
Total	<u>\$ 302,390</u>

Interfund loans between governmental funds are eliminated for reporting on the statement of net assets. Interfund loans between governmental and business-type activities are reported as a component of “internal balance” on the statement of net assets.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 5 - INTERFUNDS - (Continued)**

- C. Due from and to other funds consisted of the following, as reported in the fund financial statements for the year ended December 31, 2009:

Due to general fund from:

Electric fund	\$ 60,495
Total	<u>\$ 60,495</u>

These balances resulted from the time lag between the dates in which payments between the funds are made. Amounts due to/from other funds between governmental and business-type activities are reported as a component of "internal balance" on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of St. Marys. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2009 was \$5.32 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 83,063,090
Commercial/Industrial/Mineral	22,694,020
<u>Public Utility</u>	
Real	7,370
Personal	<u>237,550</u>
Total Assessed Value	<u><u>\$ 106,002,030</u></u>

**NOTE 7 - LOCAL INCOME TAX**

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

The City, by ordinance, allocates 1 percent of the income tax revenues to the general fund (0.72%), the street construction and maintenance fund (a nonmajor governmental fund) (0.18%), and the capital improvements fund (0.10%). The other 0.5 percent is allocated to the voted income tax fund. For 2009, in the fund financial statements, income tax revenue credited to the general fund, voted income tax fund (a nonmajor governmental fund), capital improvements fund (a nonmajor governmental fund), and street construction and maintenance fund (a nonmajor governmental fund), totaled \$1,883,774, \$1,091,494, \$225,533, and \$405,958, respectively.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 8 - LOANS RECEIVABLE**

Loans receivable represent low interest loans for development projects and home improvements granted to eligible City businesses and residents under the Community Development Block Grant (CDBG) program, a federal grant program which is accounted for in the CDBG fund (a nonmajor governmental fund). The loans have an annual interest rate of 3.00% - 7.00% and are repaid over periods ranging from five to thirty years.

A summary of loans receivable activity during 2009 follows:

<u>Loans receivable:</u>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/09</u>
Business loans	\$ 984,509	\$ 8,962	\$ (162,190)	\$ 831,281
Total	<u>\$ 984,509</u>	<u>\$ 8,962</u>	<u>\$ (162,190)</u>	<u>\$ 831,281</u>

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2009 consisted of taxes, accounts (billings for user charged services), special assessments, loans, accrued interest and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2009.

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

<u>Receivables:</u>	<u>Governmental</u> <u>activities</u>	<u>Business-type</u> <u>activities</u>
Income taxes	\$ 646,917	\$ -
Real and other taxes	592,207	62,954
Accounts	38,281	1,838,781
Special assessments	345,960	1,395
Loans	831,281	-
Accrued interest	2,123	-
Due from other governments	<u>520,211</u>	<u>4,610</u>
Total	<u>\$ 2,976,980</u>	<u>\$ 1,907,740</u>

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,881,561	\$ 11,984	\$ -	\$ 1,893,545
<i>Total capital assets, not being depreciated</i>	<u>1,881,561</u>	<u>11,984</u>	<u>-</u>	<u>1,893,545</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,160,018	629,524	-	3,789,542
Buildings and improvements	1,364,560	32,446	-	1,397,006
Equipment and furniture	890,667	144,631	-	1,035,298
Vehicles	3,501,086	23,380	-	3,524,466
Infrastructure	<u>19,330,982</u>	<u>1,827,992</u>	<u>-</u>	<u>21,158,974</u>
<i>Total capital assets, being depreciated</i>	<u>28,247,313</u>	<u>2,657,973</u>	<u>-</u>	<u>30,905,286</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(870,698)	(132,430)	-	(1,003,128)
Buildings and improvements	(861,409)	(34,791)	-	(896,200)
Equipment and furniture	(543,033)	(47,158)	-	(590,191)
Vehicles	(2,075,219)	(192,705)	-	(2,267,924)
Infrastructure	<u>(7,747,436)</u>	<u>(1,051,928)</u>	<u>-</u>	<u>(8,799,364)</u>
<i>Total accumulated depreciation</i>	<u>(12,097,795)</u>	<u>(1,459,012)</u>	<u>-</u>	<u>(13,556,807)</u>
Total capital assets, net	<u>\$ 18,031,079</u>	<u>\$ 1,210,945</u>	<u>\$ -</u>	<u>\$ 19,242,024</u>

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

<b><u>Governmental activities:</u></b>	<u>Depreciation</u> <u>Expense</u>
General government	\$ 42,824
Security of persons and property	141,350
Public health and welfare	6,815
Transportation	1,141,132
Community environment	49,854
Leisure time activities	74,037
Capital assets held by the internal service funds are charged to various functions based upon their usage of the capital assets	<u>3,000</u>
Total depreciation expense	<u>\$ 1,459,012</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 10 - CAPITAL ASSETS - (Continued)**

	Balance		Balance
<b><u>Business-type activities:</u></b>	<u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>
			<u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>			
Land	\$ 1,194,470	\$ -	\$ 1,194,470
Construction in progress	<u>7,736,491</u>	<u>3,684,371</u>	<u>11,420,862</u>
<i>Total capital assets, not being depreciated</i>	<u>8,930,961</u>	<u>3,684,371</u>	<u>12,615,332</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	5,118,981	-	5,118,981
Buildings and improvements	5,190,850	-	5,190,850
Equipment and furniture	10,838,751	45,184	10,883,935
Vehicles	2,464,277	151,497	2,615,774
Infrastructure	<u>18,041,562</u>	<u>1,161,996</u>	<u>19,203,558</u>
<i>Total capital assets, being depreciated</i>	<u>41,654,421</u>	<u>1,358,677</u>	<u>43,013,098</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(2,631,485)	(187,134)	(2,818,619)
Buildings and improvements	(3,876,545)	(130,396)	(4,006,941)
Equipment and furniture	(8,583,312)	(270,840)	(8,854,152)
Vehicles	(1,934,132)	(108,956)	(2,043,088)
Infrastructure	<u>(7,693,803)</u>	<u>(488,093)</u>	<u>(8,181,896)</u>
<i>Total accumulated depreciation</i>	<u>(24,719,277)</u>	<u>(1,185,419)</u>	<u>(25,904,696)</u>
Total capital assets, net	<u>\$ 25,866,105</u>	<u>\$ 3,857,629</u>	<u>\$ 29,723,734</u>

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

	Depreciation
<b><u>Business-type activities:</u></b>	<u>Expense</u>
Water fund	\$ 245,242
Sewer fund	246,676
Electric fund	580,718
Refuse fund	<u>112,783</u>
Total depreciation expense	<u>\$ 1,185,419</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 11 - COMPENSATED ABSENCES**

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

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

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

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

**NOTE 12 - LONG-TERM OBLIGATIONS**

Governmental activities changes in long-term obligations for the year ended December 31, 2009 were as follows:

	Balance			Balance	Amount
<b><u>Governmental activities:</u></b>	<u>12/31/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2009</u>	<u>Due Within</u>
<u>Other long-term obligations</u>					<u>One Year</u>
Compensated absences payable	\$ 377,398	\$ 92,515	\$ (77,965)	\$ 391,948	\$ 88,843
Total long-term obligations	<u>\$ 377,398</u>	<u>\$ 92,515</u>	<u>\$ (77,965)</u>	<u>\$ 391,948</u>	<u>\$ 88,843</u>

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Business-type activities changes in long-term obligations for the year ended December 31, 2009 were as follows:

<b><u>Business-type activities:</u></b>	Interest <u>Rate</u>	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/09</u>	Amount Due Within <u>One Year</u>
<b><u>Revenue bonds</u></b>						
Sanitary sewer system refunding	4.75-5.15%	\$ 245,000	\$ -	\$ (245,000)	\$ -	\$ -
Deferred charges on advance refunding		(25,227)	-	25,227	-	-
Total revenue bonds		<u>219,773</u>	<u>-</u>	<u>(219,773)</u>	<u>-</u>	<u>-</u>
<b><u>General obligation bonds</u></b>						
OMEGA JV2 electric project	3.81%	1,357,745	-	(84,692)	1,273,053	88,880
<b><u>OWDA loans</u></b>						
Wastewater treatment plant	3.36%	7,736,401	3,700,604	-	11,437,005	-
<b><u>Other long-term obligations</u></b>						
Compensated absences payable		402,498	94,595	(80,355)	416,738	85,918
Landfill closure/postclosure liability		3,713,670	-	(84,630)	3,629,040	-
Total other long-term obligations		<u>4,116,168</u>	<u>94,595</u>	<u>(164,985)</u>	<u>4,045,778</u>	<u>85,918</u>
Total long-term obligations		<u>\$ 13,430,087</u>	<u>\$ 3,795,199</u>	<u>\$ (469,450)</u>	<u>\$ 16,755,836</u>	<u>\$ 174,798</u>

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

See Note 19 for detail of Landfill closure/postclosure costs.

**Revenue bonds** - The series 1996 sanitary sewer system refunding revenue bonds (the "revenue bonds") were a liability of the sewer enterprise fund. The City had pledged future sewer customer revenues, net of specified operating expenses, to repay the revenue bonds, which were issued to refund previously issued bonds. The revenue bonds were payable solely from sewer customer net revenues and were payable through 2009. Annual principal and interest payments on the bonds were expected to require approximately 42% percent of net revenues. Principal and interest paid for the current year, and total customer net revenues for the current year, were \$245,000, \$12,618, and \$606,969, respectively. These were the final debt service payments on the revenue bonds, and there is no further liability as of December 31, 2009.

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

OWDA loan - The OWDA loan was issued in order to provide the financial resources for the construction of a new wastewater treatment plant. The loan was issued during 2008, matures in 2028, and carries an interest rate of 3.36%. Under the terms of the loan agreement, the City may borrow up to \$12,045,000 for the construction project. As of December 31, 2009, the City has borrowed \$11,437,005, which includes \$425,720 in capitalized interest. Principal and interest payments will be paid out of the sewer fund. The loan is supported by the full faith and credit of the City, and is being retired through sewer system use charges and other operating revenues of the sewer fund.

An amortization schedule for the OWDA loan is not presented because the loan was not finalized as of December 31, 2009.

At December 31, 2009, the principal and interest requirements to retire the business-type activities long-term bonds are as follows:

Year	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 88,880	\$ 63,453	\$ 152,333
2011	93,638	58,787	152,425
2012	98,586	53,871	152,457
2013	103,725	48,695	152,420
2014	109,054	43,249	152,303
2015 - 2019	633,765	128,155	761,920
2020	<u>145,405</u>	<u>6,907</u>	<u>152,312</u>
Total	<u>\$ 1,273,053</u>	<u>\$ 403,117</u>	<u>\$ 1,676,170</u>

Defeased Debt

In 1991, the City advance refunded revenue bonds and mortgage revenue bonds in the amounts of \$2,645,000 and \$3,540,000, respectively. The proceeds of these bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. During 2009, the advance refunded revenue bonds and mortgage revenue bonds were completely retired and there is no amount outstanding as of December 31, 2009.

In 2004, the City advance refunded mortgage revenue bonds in the amount of \$3,065,000. The proceeds of these bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At December 31, 2009, mortgage revenue bonds were outstanding in the amount of \$600,000.

In 2005, the City advance refunded revenue bonds in the amount of \$770,000. The proceeds of these bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At December 31, 2009, revenue bonds were outstanding in the amount of \$255,000.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Legal Debt Margins

At December 31, 2009, the City had a legal voted debt margin of \$10,815,860 and a legal unvoted debt margin of \$5,527,636.

**NOTE 13 - SHORT-TERM OBLIGATIONS**

Governmental activities changes in short-term obligations for the year ended December 31, 2009 were as follows:

<b><u>Governmental activities:</u></b>	<u>Series</u>	<u>Interest Rate</u>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/09</u>	<u>Amount Due Within One Year</u>
<u>Bond anticipation notes</u>							
Street program	2008	3.25%	\$ 97,000	\$ -	\$ (97,000)	\$ -	\$ -
Street program	2009	2.75%	-	40,000	-	40,000	40,000
Total short-term obligations			<u>\$ 97,000</u>	<u>\$ 40,000</u>	<u>\$ (97,000)</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>

Business-type activities changes in short-term obligations for the year ended December 31, 2009 were as follows:

<b><u>Business-type activities:</u></b>	<u>Series</u>	<u>Interest Rate</u>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/09</u>	<u>Amount Due Within One Year</u>
<u>Bond anticipation notes</u>							
Electric improvements	2008	4.00%	\$ 1,300,000	\$ -	\$ (1,300,000)	\$ -	\$ -
Landfill improvements	2008	2.55%	649,000	-	(649,000)	-	-
Total short-term obligations			<u>\$ 1,949,000</u>	<u>\$ -</u>	<u>\$ (1,949,000)</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 14 - RISK MANAGEMENT**

**A. Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has entered into contracts with various insurance agencies for the following coverage and deductibles:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 5,000,000	\$ 0
Law Enforcement Liability	5,000,000	5,000
Public Officials Liability	5,000,000	5,000
Employers Liability	5,000,000	0
Employee Benefits Liability	5,000,000	0
Automobile Fleet Liability	5,000,000	1,000
Buildings and Contents	74,685,308	1,000
Boiler and Machinery	40,000,000	various
Inland Marine and Equipment	2,936,388	1,000

There were no significant reductions in insurance coverage from 2008 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 group health insurance benefits through a fully insured program with Anthem. Employees have a choice of two insurance plans, which are a traditional PPO plan and a Lumenos health savings account (HSA) plan.

The monthly premiums for the PPO plan are \$359.60 for single coverage and \$1,056.41 for family coverage, and the employee share ranges from 21% to 31% of the premium amount. The PPO plan has an in-network deductible of \$200 for single coverage and \$600 for family coverage. Maximum out-of-pocket limits for the PPO plan are \$1,000 per year for single coverage and \$2,000 per year for family coverage. The PPO plan has a maximum lifetime coverage limit of \$5,000,000.

The monthly premiums for the HSA plan are \$261.01 for single coverage and \$766.78 for family coverage, and the employee share ranges from 9% to 25% of the premium amount. The HSA plan has an in-network deductible of \$2,000 for single coverage and \$4,000 for family coverage. Maximum out-of-pocket limits for the HSA plan are equal to the in-network deductibles, \$2,000 per year for single coverage and \$4,000 per year for family coverage. The HSA plan has a maximum lifetime coverage limit of \$5,000,000.

On January 1, 2009, the City became fully insured, but the claims run-out period for the self-insurance program extended through March 31, 2009. Claims payable is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", and as amended by GASB Statement No. 30, "Risk Financing Omnibus", 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. The cut-off date for claims payments was March 31, 2009, and there is no claims payable liability as of December 31, 2009.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 14 - RISK MANAGEMENT - (Continued)**

The changes in the claims liability for 2009 and 2008 are as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Changes in Claims Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 199,297	\$ 7,629	\$ (206,926)	\$ -
2008	227,038	1,327,471	(1,355,212)	199,297

**C. Workers' Compensation**

For 2009, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Gates McDonald 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 15 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 15 - PENSION PLANS - (Continued)**

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007, were \$281,981, \$258,176, and \$328,318, respectively; 100% has been contributed for 2009, 2008, and 2007. There is no liability recorded within the respective funds representing unpaid pension contributions for 2009. The City and the plan members did not make any contributions to the member-directed plan for 2009.

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

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$111,325 and \$125,202 for the year ended December 31, 2009, \$104,059 and \$123,758 for the year ended December 31, 2008, and \$103,940 and \$110,597 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 74.96% has been contributed for 2009, with the remaining \$59,204 being reported as a liability in the respective funds.

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007, were \$203,858, \$258,176, and \$216,258, respectively; 100% has been contributed for 2009, 2008, and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

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

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

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$58,937 and \$48,992 for the year ended December 31, 2009, \$55,090 and \$48,427 for the year ended December 31, 2008, and \$48,986 and \$52,124 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 74.96% has been contributed for 2009, with the remaining \$27,061 being reported as a liability in the respective funds.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

**Net Change in Fund Balance**

	<u>General</u>
Budget basis	\$ (421,989)
Net adjustment for revenue accruals	75,315
Net adjustment for expenditure accruals	49,847
Adjustment for encumbrances	145,055
GAAP basis	\$ (151,772)

**NOTE 18 - RESTRICTED ASSETS**

Fund assets, whose use is restricted under the bond indentures to current and future debt service requirements, and refundable electric customer deposits are presented as restricted assets on the proprietary fund statement of net assets. These assets are further segregated between those held by the City and those held by trustees. The City also has permissive tax monies on deposit with Auglaize County in the amount of \$99,742 (cash with fiscal agent). At December 31, 2009, restricted assets relating to the bond indentures were as follows:

	<u>Restricted Assets</u>		
<u>Restricted assets:</u>	<u>Sewer fund</u>	<u>Electric fund</u>	<u>Total</u>
Cash and cash equivalents:			
Refundable deposits	\$ -	\$ 273,763	\$ 273,763
Deposits in segregated accounts:			
Current debt service on bonds	257,618	-	257,618

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 19 - 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 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 costs as an operating expense in each period based on landfill capacity used as of each year-end.

The City is in the process of closing the landfill. The landfill closure and postclosure liability of \$3,629,040 at December 31, 2009 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 2009. 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 has not been in compliance with guidelines from the Ohio Environmental Protection Agency since 1997, the last year the City passed the financial accountability test proving the ability to self-fund these future costs.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

At December 31, 2009, the City had the following contractual commitments:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Contract Balance</u>
American Municipal Power-Ohio	\$ 26,515,463	\$ 24,348,633	\$ 2,166,830
Arcadis FPS, Inc.	228,900	151,279	77,621
Best Equipment Co., Inc.	138,341	-	138,341
Burgess, Hearse & Co.	121,899	-	121,899
Celina Landfill	395,000	367,974	27,026
Dominion East Ohio	40,350	23,583	16,767
Gudenkauf Corp.	25,000	-	25,000
Hoge Lumber Company	39,611	367	39,244
Kohli & Kaliher Associates	107,358	41,180	66,178
Municipal Energy Services Agency	64,230	33,874	30,356
OMEGA Joint Venture Two	126,000	103,348	22,652
Peterson Construction Company	11,013,020	10,962,020	51,000
Poggemeyer Design Group	62,900	43,359	19,541
Power Line Supply	48,011	3,596	44,415
Precise Boring Of Ohio	853,173	410,989	442,184
Premier Safety & Services, Inc.	59,560	-	59,560
Statewide Ford Lincoln Mercury	31,830	-	31,830
Stone Creek Landscape Co.	60,380	48,185	12,195
Vaughn Industries	305,835	293,602	12,233
VTF Excavation, LLC	119,563	94,181	25,382
	<u>\$ 40,356,424</u>	<u>\$ 36,926,170</u>	<u>\$ 3,430,254</u>
Total contractual commitments	<u>\$ 40,356,424</u>	<u>\$ 36,926,170</u>	<u>\$ 3,430,254</u>

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2009.

**B. Litigation**

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



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

Mayor and Members of Council  
City of St. Marys  
101 East Spring Street  
St. Marys, OH 45885

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of St. Marys' basic financial statements and have issued our report thereon dated June 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Marys' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City of St. Marys' internal control over financial reporting. Accordingly we have not opined on the effectiveness of the City of St. Marys' internal control over financial reporting.

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

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

Members of Council and Mayor  
City of St. Marys

Compliance and Other Matters

As part of obtaining reasonably assuring whether the City of St. Marys' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-COSM-001 and 2009-COSM-002.

The City of St. Marys responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of St. Marys responses and, accordingly, we express no opinion on them.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 17, 2010

**CITY OF ST. MARYS  
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2009-COSM-001

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations at December 31, 2009 due to the City not timely or properly modifying appropriations.

By not timely and properly modifying the City's appropriations, the City is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the City comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

*Client Response:* 2010 appropriation modifications are occurring more frequently and accurately.

Finding Number	2009-COSM-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The City had expenditures (including current year encumbrances) exceeding appropriations (including prior year carryover encumbrances) at December 31, 2009 as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Major Fund/Object:</u>			
Sewer Improvement Capital Outlay	\$ 5,549,167	\$ 2,275,180	\$ 3,273,987
<u>Nonmajor Fund/Object:</u>			
Capital Improvement Capital Outlay	624,533	470,000	154,533
Electric Plant Operations	15,394,997	14,568,881	826,116

With expenditures exceeding appropriations, the City is expending monies that have not been appropriated and approved by the City Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

*Client Response:* The City will continue to attempt to modify appropriations in an efficient and accurate manner.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u></b>
2008-COSM-001	<p><u>Significant Deficiency</u> – According to Auditor of State Bulletin 2002-004, payments made to contractors, on behalf of the local government, shall be recorded as a receipt and expenditure in the appropriate fund equal to the amount disbursed to the contractor.</p>	Yes	N/A





**Mary Taylor, CPA**  
Auditor of State

**CITY OF ST. MARYS**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 14, 2010**