



**Auditor of State
Betty Montgomery**

ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types and Similar Fiduciary Funds - For the Fiscal Year Ended June 30, 2004	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes In Fund Cash Balances – All Proprietary Fund Types and Similar Fiduciary Funds - For the Fiscal Year Ended June 30, 2004	4
Combined Statement of Receipts - Budget and Actual For the Fiscal Year Ended June 30, 2004	5
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority For the Fiscal Year Ended June 30, 2004	6
Notes to the Financial Statements	7
Schedule of Federal Awards Expenditures For the Fiscal Year Ended June 30, 2004	22
Notes to the Schedule of Federal Awards Expenditures	23
Independent Accountants' Report on Compliance and On Internal Control Required By <i>Government Auditing Standards</i>	25
Independent Accountants' Report on Compliance with Requirements Applicable To Major Federal Programs and Internal Control over Compliance in Accordance With OMB Circular A-133.....	27
Schedule of Findings.....	29

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the St. Marys City School District, Auglaize County, (the District), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects the combined fund cash balances of St. Marys City School District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the financial statements. We subjected the schedule of federal award expenditures to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of finance/audit committee, management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 28, 2005

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Taxes	\$5,194,304		\$969,926	\$407,970		\$6,572,200
Tuition	430,944					430,944
Intergovernmental	10,204,556	\$1,025,580	112,397	99,021		11,441,554
Interest	49,334	566	5,679	3,806	\$2,054	61,439
Extracurricular Activities		158,847				158,847
Classroom Materials & Fees	21,200					21,200
Miscellaneous	157,912	68,251		60,000	20,086	306,249
Total Cash Receipts	16,058,250	1,253,244	1,088,002	570,797	22,140	18,992,433
Cash Disbursements:						
Current:						
Instruction:						
Regular	8,124,774	218,154		25,031		8,367,959
Special	1,264,362	439,284				1,703,646
Vocational	1,235,105	2,980				1,238,085
Adult/Continuing		55,757				55,757
Support Services:						
Pupils	1,018,074	137,483		90		1,155,647
Instruction	1,044,844	72,846		115		1,117,805
Board of Education	147,984					147,984
Administration	1,185,001	17,731				1,202,732
Fiscal	344,862		23,148	9,809		377,819
Business	154,724					154,724
Operation and Maintenance	1,381,136	2,130		158,908		1,542,174
Transportation	612,097	716		26,037		638,850
Central Services	4,776					4,776
Noninstructional Services		104,917			20,315	125,232
Extracurricular Activities	352,059	172,030				524,089
Debt Service			1,249,635			1,249,635
Total Cash Disbursements	16,869,798	1,224,028	1,272,783	219,990	20,315	19,606,914
Total Receipts Over (Under) Disbursements	(811,548)	29,216	(184,781)	350,807	1,825	(614,481)
Other Financing Receipts (Disbursements):						
Transfer In			45,377			45,377
Transfers Out	(45,377)					(45,377)
Advances In	19,430					19,430
Advances Out	(2,868)	(16,445)				(19,313)
Refund of Prior Year Disbursements	23					23
Total Other Financing Receipts (Disbursements)	(28,792)	(16,445)	45,377			140
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and other Financing Disbursements	(840,340)	12,771	(139,404)	350,807	1,825	(614,341)
Fund Cash Balances at Beginning of Year	2,968,936	217,756	656,484	230,090	28,546	4,101,812
Fund Cash Balances at End of Year	\$ 2,128,596	\$ 230,527	\$ 517,080	\$ 580,897	\$ 30,371	\$ 3,487,471

The accompanying notes are an integral part of the financial statements.

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
AII PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Proprietary Fund Type		Fiduciary Funds		Totals (Memorandum Only)
	Enterprise	Internal Service	Non Expendable Trust	Agency	
Operating Cash Receipts:					
Food Services	\$425,215				\$425,215
Classroom Materials and Fees	95,665				95,665
Extracurricular Activities				\$180,545	180,545
Total Operating Cash Receipts	520,880			180,545	701,425
Operating Cash Disbursements:					
Salaries	221,646			137	221,783
Fringe Benefits	146,567				146,567
Purchased Services	13,911				13,911
Materials and Supplies	313,930				313,930
Capital Outlay	5,318				5,318
Other Objects		\$106,897		172,341	279,238
Total Operating Cash Disbursements	701,372	106,897		172,478	980,747
Operating Income (Loss)	(180,492)	(106,897)		8,067	(279,322)
Non-Operating Cash Receipts:					
Miscellaneous		93,527			93,527
Interest	561				561
Federal and State Subsidies	195,623				195,623
Total Non-Operating Cash Receipts	196,184	93,527			289,711
Excess of Receipts Over (Under) Disbursements Before Advances	15,692	(13,370)		8,067	10,389
Advances In		845		2,023	2,868
Advances Out				(2,985)	(2,985)
Net Excess of Receipts Over/(Under) Disbursements	15,692	(12,525)		7,105	10,272
Fund Cash Balances at Beginning of Year	109,693	18,177	\$129,580	60,077	317,527
Fund Cash Balances at End of Year	\$125,385	\$5,652	\$129,580	\$67,182	\$327,799

The accompanying notes are an integral part of the financial statements.

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

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$15,756,956	\$16,058,273	\$301,317
Special Revenue Funds	1,260,556	1,253,244	(7,312)
Debt Service Funds	1,133,379	1,133,379	
Capital Project Funds	510,597	570,797	60,200
Proprietary:			
Enterprise Funds	674,379	717,064	42,685
Internal Service Funds	93,527	93,527	
Fiduciary:			
Trust and Agency Funds	148,678	202,685	54,007
Total (Memorandum Only)	<u>\$19,578,072</u>	<u>\$20,028,969</u>	<u>\$450,897</u>

The accompanying notes are an integral part of the financial statements.

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

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding At 6/30/04	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General Fund	\$96,419	\$17,359,041	\$17,455,460	\$16,915,175	\$25,816	\$16,940,991	\$514,469
Special Revenue Funds	82,778	1,318,005	1,400,783	1,224,028	32,429	1,256,457	144,326
Debt Service Funds		1,272,784	1,272,784	1,272,783		1,272,783	1
Capital Project Funds	124,906	612,250	737,156	219,990	96,236	316,226	420,930
Proprietary:							
Enterprise Funds	9,935	720,000	729,935	701,372	8,112	709,484	20,451
Internal Service Funds		107,126	107,126	106,897	229	107,126	
Fiduciary:							
Trust and Agency Funds	2,340	145,413	147,753	192,793	1,233	194,026	(46,273)
Total (Memorandum Only)	<u>\$316,378</u>	<u>\$21,534,619</u>	<u>\$21,850,997</u>	<u>\$20,633,038</u>	<u>\$164,055</u>	<u>\$20,797,093</u>	<u>\$1,053,904</u>

The accompanying notes are an integral part of the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established in 1862 with the consolidation of existing land areas and school districts. The District serves an area of approximately seventy square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships.

The District is the 211th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by eighty-seven classified employees, one hundred seventy-two certified teaching personnel, and seventeen administrative employees who provide services to 2,433 students and other community members. The District currently operates six school buildings and a service building.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For St. Marys City School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the St. Marys City School District.

The following activities are included within the reporting entity:

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

The District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Northwest Ohio Area Computer Services Cooperative, Mercer Auglaize Schools Employee Benefit Trust, Southwestern Ohio Education Purchasing Council, and the St. Marys Community Public Library. These organizations are presented in Notes 13, 14, and 15 to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

As required by Ohio Administrative Code Section 117-2-03 (B) the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, for audit purposes, the District chose to present its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds – The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types

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

Enterprise Funds – The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 district on a cost reimbursement basis.

3. Fiduciary Fund Type

Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, non-expendable trust, and agency funds.

C. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances; however, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

D. Cash and Investments

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

E. Unpaid Vacation and Sick Leave

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

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Total Columns On Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end the District had \$400 in undeposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *“Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements”*.

Deposits: At fiscal year end the carrying amount of the District’s deposits was \$40,916 and the bank balance was \$910,493. Of the bank balance, \$300,500 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category 2	Carrying Value	Fair Value
Federal Home Loan Mortgage Corporation Notes	\$722,825	\$722,825	\$711,167
Federal National Mortgage Association Notes	1,415,630	1,415,630	1,407,820
	\$2,138,455	\$2,138,455	2,118,987
Mutual Funds		17,196	17,196
STAR Ohio		1,618,303	1,618,303
Totals		\$3,773,954	\$3,754,486

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. PROPERTY TAXES (Continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Auglaize County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2004, are available to finance fiscal year 2004 operations.

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$182,008,500	80.23%	\$185,514,860	79.70%
Public Utility	7,872,570	3.47	7,622,060	3.27
Tangible Personal	36,978,170	16.30	39,634,973	17.03
Total Assessed Value	<u>\$226,859,240</u>	<u>100.00%</u>	<u>\$232,771,893</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.05		\$49.05	

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

5. RISK MANAGEMENT

Coverage provided by ACE Westchester Insurance Company is as follows:

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

Coverage provided by Travelers Insurance Company is as follows:

Building	54,279,204
Contents	7,690,776

Coverage provided by Federal Insurance Company is as follows:

Boiler and Machinery	50,000,000
----------------------	------------

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

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

6. CONTRACTUAL COMMITMENTS

As of June 30, 2004, the District had contractual commitments as follows:

Company	Project	Amount Remaining On Contract
Capitol Aluminum	Window Replacement	\$17,418
Buehler Asphalt	Paving	34,746

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor.

The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002, was \$1,143,642, \$1,126,853, and \$768,313, respectively; 82 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$4,154 made by the District and \$9,952 made by plan members.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$182,731, \$161,870, and \$99,241, respectively; 40 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, five Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$88,292.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members must pay a portion of their premium for health care. The premium is based on years of credit and Medicare eligibility.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount to fund health care benefits, including surcharge was \$129,519 for fiscal year 2004.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

9. SHORT-TERM OBLIGATIONS

Changes in the District's short-term obligations during fiscal year 2004 are as follows:

	Balance at 6/30/03	Additions	Reductions	Balance at 6/30/04
Bond Anticipation Notes	\$325,000	\$0	\$325,000	\$0

During fiscal year 2004, the District retired \$325,000 in bond anticipation notes. The notes had an interest rate of 2.87 percent. Proceeds of these notes were used to construct additions to existing instructional buildings. There were no new notes issued by the District during fiscal year 2004.

10. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Balance at 6/30/03	Additions	Reductions	Balance at 6/30/04
General Long-Term Obligations				
1998 Construction 3.65 - 5%	\$2,675,000	\$0	\$625,000	\$2,050,000
2000 Library Construction 6.7%	865,000	0	80,000	785,000
Total General Obligation Bonds	3,540,000	0	705,000	2,835,000
Asbestos Removal Loan 0%	439,899	0	45,376	394,523
Total Long-Term Obligations	\$3,979,899	\$0	\$750,376	\$3,229,523

Construction General Obligation Bonds - On February 1, 1998, the District issued \$5,000,000 in voted general obligation bonds for the construction of additions to existing instructional buildings. The bonds were issued for a nine year period, with final maturity on December 1, 2006. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 4.1 mill voted property tax levy.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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

The District's overall debt margin was \$18,715,959 with an unvoted debt margin of \$232,772 at June 30, 2004.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Asbestos Removal Loan
	Principal	Interest	Principal
2005	\$740,000	\$130,705	\$45,377
2006	800,000	93,965	45,376
2007	800,000	54,015	45,377
2008	110,000	29,480	45,376
2009	120,000	21,775	45,377
2010-2013	265,000	18,258	167,640
Totals	<u>\$2,835,000</u>	<u>\$348,198</u>	<u>\$394,523</u>

11. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	Textbooks	Capital Improvements
Balance June 30, 2003	(\$251,917)	\$0
Current Year Set Aside Requirement	349,213	349,213
Qualifying Expenditures	(334,725)	0
Current Year Offsets	0	(407,970)
Balance June 30, 2004	<u>(\$237,429)</u>	<u>(\$58,757)</u>

The District had qualifying expenditures during the fiscal year that reduced the textbook and capital improvements set-aside amounts to below zero. These amounts may be used to reduce the set aside requirement of future fiscal years.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

12. INTERFUND TRANSFERS

During fiscal year 2004, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$45,377, to pay on the asbestos removal loan.

13. JOINTLY GOVERNED ORGANIZATIONS

A. West Central Ohio Regional Professional Development Center

The West Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

C. Northwest Ohio Area Computer Services Cooperative

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

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2004, the District paid \$40,412 to the NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

14. INSURANCE POOLS

A. Mercer Auglaize Schools Employee Benefit Trust

The District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) was established in 1986 to foster cooperation among educational entities located in southwestern Ohio. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities.

The SOEPC is governed by an elected Board consisting of 10 representatives of the educational entities and the Montgomery County Educational Service Center superintendent. The Board, except for the Superintendent of the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Ohio Educational Purchasing Council, 303 Corporate Center Drive, Vandalia, Ohio 45377.

15. RELATED ORGANIZATION

The St. Marys Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the St. Marys City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies.

Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Marys Community Public Library, Bob Maurer, Clerk/Treasurer, 140 South Cleveland Street, St. Marys, Ohio 45855.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

16. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$82,657		\$80,686
School Breakfast Program	044727-05PU-2003 044727-05PU-2004	10.553	\$1,256 13,159		\$1,256 13,159	
Total School Breakfast Program			14,415		14,415	
National School Lunch Program	044727-LLP4-2004 044727-LLP4-2003	10.555	144,034 29,306		144,034 29,306	
Total National School Lunch			173,340		173,340	
Total U.S. Department of Agriculture - Nutrition Cluster			187,755	82,657	187,755	80,686
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Adult Basic Literacy Education	044727-ABS1-2003 044727-ABS1-2004	84.002	5,214 47,077		0 44,267	
Total Adult Basic Literacy Education			52,291		44,267	
Title I, Targeted Assistance	044727-C1S1-2004 044727-C1S1-2003	84.010	226,786 24,522		205,962 11,474	
Total Title I, Targeted Assistance			251,308		217,436	
Title II-D, Technology Literacy Challenge Fund Grant	044727-TJS1-2004	84.318	6,742		718	
Title VI-B, Special Education Grants to States	044727-6BSD-2004-P 044727-6BSF-2003-P	84.027	322,563 18,066		319,828 23,341	
Total Special Education Grants to States			340,629		343,169	
Title VI, Innovative Education Program Strategies	044727-C2S1-2004	84.298	14,592		12,907	
Drug Free Schools Grant	044727-DRS1-2004 044727-DRS1-2003	84.186	9,721 3,028		9,721 1,790	
Total Drug Free Schools Grant			12,749		11,511	
Title IIA, Improving Teacher Quality	044727-TRS1-2003 044727-TRS1-2004	84.367	14,151 79,767		13,988 68,286	
Total Title IIA, Improving Teacher Quality			93,918		82,274	
School Renovation Grant	044727-ATS4-2003	84.352			4,636	
State Program Improvement Grant	044727-STS1-2003	84.323	28,032		42,478	
Total U.S. Department of Education			800,261		759,396	
Total Federal Assistance			<u>\$988,016</u>	<u>\$82,657</u>	<u>\$947,151</u>	<u>\$80,686</u>

See accompanying notes to the schedule of federal awards expenditures.

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

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

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

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The expenditure of non-Federal matching funds is not included on the schedule.

NOTE D – TRANSFER OF FUNDS BETWEEN SPECIAL COST CENTERS

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

Grant, CFDA #, Fund, and Cost Center	Transfer Out	Transfer In
Title I - #84.010		
572-9203	\$(11, 273)	
572-9304		\$11,273
Title VI - Part A Innovative Program - #84.298		
573-9203	\$(19)	
573-9304		\$19

NOTE E – PASS THROUGH FUNDS

Idea Preschool Grant For The Handicapped – CFDA# 84.173 – During fiscal year 2004, the District received Preschool grant funding administered on their behalf by the Auglaize County Educational Service Center. For fiscal year 2004, the District's allocation was \$24,816 which was spent by fiscal year end.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of St. Marys City School District, Auglaize County (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 28, 2005, wherein we noted that the District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 28, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 28, 2005.

St. Marys City School District
Auglaize County
Independent Accountants' Report On Compliance And On
Internal Control Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

February 28, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of St. Marys City School District, Auglaize County, (the District), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

February 28, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA #10.550, #10.553, #10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ST. MARYS CITY SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2005**