

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

*General Purpose
Financial Statements*
(Audited)

For The Year Ended
December 31, 2000

DOUGLAS M. RIESEN, CITY AUDITOR



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

We have reviewed the Independent Auditor's Report of the City of St. Marys, Auglaize County, prepared by Trimble, Julian, & Grube, Inc., for the audit period January 1, 2000 to December 31, 2000. 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.

JIM PETRO
Auditor of State

November 6, 2001

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report | 1 |
| Combined Balance Sheet - All Fund Types and Account Groups | 2 - 5 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types | 6 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types | 7 - 9 |
| Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Types | 10 |
| Statement of Revenues, Expenses, and Changes in Fund Balances- Budget and Actual (Budget Basis) Proprietary Fund Types | 11 - 12 |
| Statement of Cash Flows - Proprietary Fund Types | 13 - 14 |
| Notes to the General Purpose Financial Statements | 15 - 48 |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 49 - 50 |
| Schedule of Findings | 51 |

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the City of St. Marys, Auglaize County, as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of St. Marys management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of St. Marys, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types 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 August 29, 2001, on our consideration of the City of St. Marys 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.

Trimble, Julian & Grube, Inc.
August 29, 2001

City of St. Marys

Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000

| | Governmental Fund Types | | | |
|--|-------------------------|--------------------|------------------|--------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>Assets and other debits</u> | | | | |
| Assets | | | | |
| Equity in pooled cash and cash equivalents | \$4,142,051 | \$1,080,658 | \$34,523 | \$4,122,892 |
| Cash and cash equivalents with fiscal agents | 0 | 0 | 0 | 0 |
| Receivables: | | | | |
| Property taxes | 256,075 | 67,624 | 0 | 0 |
| Municipal income taxes | 180,236 | 0 | 0 | 90,118 |
| Other local taxes | 0 | 0 | 0 | 3,825 |
| Accounts | 31,472 | 0 | 0 | 0 |
| Special assessments | 0 | 106,379 | 196,007 | 0 |
| Intergovernmental | 54,926 | 18,780 | 0 | 37,925 |
| Accrued interest | 20,236 | 0 | 0 | 3,867 |
| Notes | 0 | 773,538 | 0 | 0 |
| Due from other funds | 0 | 0 | 0 | 0 |
| Materials and supplies inventory | 32,384 | 19,024 | 0 | 0 |
| Prepaid items | 39,932 | 7,926 | 0 | 0 |
| Restricted assets: | | | | |
| Equity in pooled cash and cash equivalents | 0 | 0 | 0 | 0 |
| Cash and cash equivalents with fiscal agents | 0 | 0 | 0 | 0 |
| Accrued interest | 0 | 0 | 0 | 0 |
| Unamortized bond issuance costs | 0 | 0 | 0 | 0 |
| Fixed assets (net, where applicable, of accumulated depreciation) | 0 | 0 | 0 | 0 |
| Other debits | | | | |
| Amount available in debt service fund for retirement of special assessment obligations | 0 | 0 | 0 | 0 |
| Amount to be provided for retirement of general long-term obligations | 0 | 0 | 0 | 0 |
| Amount to be provided for retirement of special assessment obligations | 0 | 0 | 0 | 0 |
| Total assets and other debits | <u>\$4,757,312</u> | <u>\$2,073,929</u> | <u>\$230,530</u> | <u>\$4,258,627</u> |

| Proprietary Fund Types | | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) |
|------------------------|------------------|---------------------|----------------------|-------------------------------|-------------------------|
| Enterprise | Internal Service | Agency | General Fixed Assets | General Long-Term Obligations | |
| \$5,711,109 | \$256,461 | \$76,528 | \$0 | \$0 | \$15,424,222 |
| 0 | 27,142 | 0 | 0 | 0 | 27,142 |
| 0 | 0 | 0 | 0 | 0 | 323,699 |
| 0 | 0 | 569,085 | 0 | 0 | 839,439 |
| 0 | 0 | 0 | 0 | 0 | 3,825 |
| 1,109,913 | 0 | 0 | 0 | 0 | 1,141,385 |
| 2,238 | 0 | 0 | 0 | 0 | 304,624 |
| 124 | 0 | 0 | 0 | 0 | 111,755 |
| 0 | 379 | 0 | 0 | 0 | 24,482 |
| 0 | 0 | 0 | 0 | 0 | 773,538 |
| 7,116 | 4,249 | 0 | 0 | 0 | 11,365 |
| 430,552 | 6,317 | 0 | 0 | 0 | 488,277 |
| 125,361 | 0 | 0 | 0 | 0 | 173,219 |
| 5,738,884 | 0 | 0 | 0 | 0 | 5,738,884 |
| 1,126,198 | 0 | 0 | 0 | 0 | 1,126,198 |
| 47,829 | 0 | 0 | 0 | 0 | 47,829 |
| 252,936 | 0 | 0 | 0 | 0 | 252,936 |
| 17,656,982 | 62,705 | 0 | 5,716,430 | 0 | 23,436,117 |
| 0 | 0 | 0 | 0 | 38,044 | 38,044 |
| 0 | 0 | 0 | 0 | 498,168 | 498,168 |
| 0 | 0 | 0 | 0 | 143,326 | 143,326 |
| <u>\$32,209,242</u> | <u>\$357,253</u> | <u>\$645,613</u> | <u>\$5,716,430</u> | <u>\$679,538</u> | <u>\$50,928,474</u> |

City of St. Marys

Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000
(continued)

| | Governmental Fund Types | | | |
|--|-------------------------|--------------------|------------------|--------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>Liabilities, fund equity, and other credits</u> | | | | |
| Liabilities | | | | |
| Accounts payable | \$22,918 | \$3,712 | \$0 | \$10,914 |
| Contracts payable | 17,571 | 0 | 0 | 0 |
| Accrued wages payable | 34,140 | 6,117 | 0 | 240 |
| Compensated absences payable | 2,408 | 553 | 0 | 0 |
| Retainage payable | 0 | 0 | 0 | 24,176 |
| Intergovernmental payable | 28,223 | 5,140 | 0 | 1,478 |
| Due to other funds | 932 | 1,713 | 0 | 0 |
| Deferred revenue | 256,075 | 174,003 | 192,486 | 0 |
| Undistributed assets | 0 | 0 | 0 | 0 |
| Payroll withholdings | 0 | 0 | 0 | 0 |
| Accrued interest payable | 0 | 0 | 0 | 0 |
| Notes payable | 0 | 0 | 0 | 0 |
| Claims payable | 0 | 0 | 0 | 0 |
| Payable from restricted assets: | | | | |
| Refundable deposits | 0 | 0 | 0 | 0 |
| Revenue bonds payable | 0 | 0 | 0 | 0 |
| Mortgage revenue bonds payable | 0 | 0 | 0 | 0 |
| Accrued interest payable | 0 | 0 | 0 | 0 |
| Loans payable | 0 | 0 | 0 | 0 |
| Special assessment bonds payable with governmental commitment | 0 | 0 | 0 | 0 |
| Revenue bonds payable (net of \$213,653 unamortized loss on advance refunding) | 0 | 0 | 0 | 0 |
| Mortgage revenue bonds payable (net of \$321,060 unamortized loss on advance refunding) | 0 | 0 | 0 | 0 |
| Landfill closure/postclosure liability | 0 | 0 | 0 | 0 |
| Fire pension liability | 0 | 0 | 0 | 0 |
| Total liabilities | <u>362,267</u> | <u>191,238</u> | <u>192,486</u> | <u>36,808</u> |
| Fund equity and other credits | | | | |
| Investment in general fixed assets | 0 | 0 | 0 | 0 |
| Retained earnings: | | | | |
| Reserved for replacement and improvements | 0 | 0 | 0 | 0 |
| Reserved for operations | 0 | 0 | 0 | 0 |
| Unreserved | 0 | 0 | 0 | 0 |
| Contributed capital | 0 | 0 | 0 | 0 |
| Fund balance: | | | | |
| Reserved for notes receivable | 0 | 773,538 | 0 | 0 |
| Reserved for inventory | 32,384 | 19,024 | 0 | 0 |
| Reserved for encumbrances | 113,876 | 10,600 | 0 | 620,305 |
| Unreserved | 4,248,785 | 1,079,529 | 38,044 | 3,601,514 |
| Total fund equity and other credits | <u>4,395,045</u> | <u>1,882,691</u> | <u>38,044</u> | <u>4,221,819</u> |
| Total liabilities, fund equity, and other credits | <u>\$4,757,312</u> | <u>\$2,073,929</u> | <u>\$230,530</u> | <u>\$4,258,627</u> |

See accompanying notes to the general purpose financial statements.

| Proprietary Fund Types | | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) |
|------------------------|------------------|---------------------|----------------------|-------------------------------|-------------------------|
| Enterprise | Internal Service | Agency | General Fixed Assets | General Long-Term Obligations | |
| \$1,113,266 | \$2,971 | \$0 | \$0 | \$0 | \$1,153,781 |
| 14,640 | 0 | 0 | 0 | 0 | 32,211 |
| 42,222 | 1,033 | 0 | 0 | 0 | 83,752 |
| 281,009 | 4,797 | 0 | 0 | 187,743 | 476,510 |
| 0 | 0 | 0 | 0 | 0 | 24,176 |
| 84,533 | 1,647 | 569,085 | 0 | 85,646 | 775,752 |
| 8,720 | 0 | 0 | 0 | 0 | 11,365 |
| 0 | 0 | 0 | 0 | 0 | 622,564 |
| 0 | 0 | 45,869 | 0 | 0 | 45,869 |
| 0 | 0 | 30,659 | 0 | 0 | 30,659 |
| 69,775 | 0 | 0 | 0 | 0 | 69,775 |
| 4,090,000 | 0 | 0 | 0 | 142,000 | 4,232,000 |
| 0 | 34,527 | 0 | 0 | 0 | 34,527 |
| 173,106 | 0 | 0 | 0 | 0 | 173,106 |
| 260,000 | 0 | 0 | 0 | 0 | 260,000 |
| 310,000 | 0 | 0 | 0 | 0 | 310,000 |
| 32,610 | 0 | 0 | 0 | 0 | 32,610 |
| 0 | 0 | 0 | 0 | 67,100 | 67,100 |
| 0 | 0 | 0 | 0 | 181,370 | 181,370 |
| 2,671,347 | 0 | 0 | 0 | 0 | 2,671,347 |
| 3,418,940 | 0 | 0 | 0 | 0 | 3,418,940 |
| 2,195,323 | 0 | 0 | 0 | 0 | 2,195,323 |
| 0 | 0 | 0 | 0 | 15,679 | 15,679 |
| <u>14,765,491</u> | <u>44,975</u> | <u>645,613</u> | <u>0</u> | <u>679,538</u> | <u>16,918,416</u> |
| 0 | 0 | 0 | 5,716,430 | 0 | 5,716,430 |
| 2,184,553 | 0 | 0 | 0 | 0 | 2,184,553 |
| 3,320,785 | 0 | 0 | 0 | 0 | 3,320,785 |
| 10,032,825 | 306,136 | 0 | 0 | 0 | 10,338,961 |
| 1,905,588 | 6,142 | 0 | 0 | 0 | 1,911,730 |
| 0 | 0 | 0 | 0 | 0 | 773,538 |
| 0 | 0 | 0 | 0 | 0 | 51,408 |
| 0 | 0 | 0 | 0 | 0 | 744,781 |
| 0 | 0 | 0 | 0 | 0 | 8,967,872 |
| <u>17,443,751</u> | <u>312,278</u> | <u>0</u> | <u>5,716,430</u> | <u>0</u> | <u>34,010,058</u> |
| <u>\$32,209,242</u> | <u>\$357,253</u> | <u>\$645,613</u> | <u>\$5,716,430</u> | <u>\$679,538</u> | <u>\$50,928,474</u> |

City of St. Marys

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2000

| | Governmental Fund Types | | | Total (Memorandum Only) | |
|---|-------------------------|--------------------|-----------------|-------------------------------|---------------------|
| | General | Special Revenue | Debt Service | | Capital Projects |
| <u>Revenues</u> | | | | | |
| Property taxes | \$264,520 | \$62,064 | \$0 | \$0 | \$326,584 |
| Municipal income taxes | 2,412,919 | 0 | 0 | 1,133,018 | 3,545,937 |
| Other local taxes | 0 | 0 | 0 | 58,700 | 58,700 |
| Charges for services | 290,864 | 0 | 0 | 2,495 | 293,359 |
| Licenses and permits | 94,034 | 0 | 0 | 0 | 94,034 |
| Fines and forfeitures | 23,151 | 2,564 | 0 | 0 | 25,715 |
| Special assessments | 0 | 889 | 70,783 | 34,553 | 106,225 |
| Intergovernmental | 706,277 | 280,993 | 0 | 88,586 | 1,075,856 |
| Interest | 489,260 | 80,339 | 0 | 166,870 | 736,469 |
| Other | 47,239 | 2,551 | 0 | 6,195 | 55,985 |
| Total revenues | <u>4,328,264</u> | <u>429,400</u> | <u>70,783</u> | <u>1,490,417</u> | <u>6,318,864</u> |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| Security of persons and property | 1,709,770 | 255,286 | 0 | 0 | 1,965,056 |
| Public health | 5,216 | 0 | 0 | 0 | 5,216 |
| Leisure time activities | 152,656 | 1,161 | 0 | 0 | 153,817 |
| Community environment | 9,367 | 44,281 | 0 | 0 | 53,648 |
| Transportation | 0 | 537,302 | 0 | 0 | 537,302 |
| General government | 694,575 | 0 | 0 | 48,391 | 742,966 |
| Capital outlay | 0 | 0 | 0 | 776,870 | 776,870 |
| Debt service: | | | | | |
| Principal retirement | 35,000 | 168 | 58,720 | 272,000 | 365,888 |
| Interest and fiscal charges | 0 | 790 | 7,711 | 8,419 | 16,920 |
| Total expenditures | <u>2,606,584</u> | <u>838,988</u> | <u>66,431</u> | <u>1,105,680</u> | <u>4,617,683</u> |
| Excess of revenues over (under) expenditures | <u>1,721,680</u> | <u>(409,588)</u> | <u>4,352</u> | <u>384,737</u> | <u>1,701,181</u> |
| <u>Other financing sources (uses)</u> | | | | | |
| Proceeds of bonds | 0 | 0 | 0 | 105,200 | 105,200 |
| Proceeds of notes | 0 | 0 | 0 | 274,000 | 274,000 |
| Sale of fixed assets | 3,844 | 2,000 | 0 | 40,314 | 46,158 |
| Operating transfers - in | 0 | 614,214 | 0 | 248,911 | 863,125 |
| Operating transfers - out | (912,009) | 0 | (242) | (874) | (913,125) |
| Total other financing sources (uses) | <u>(908,165)</u> | <u>616,214</u> | <u>(242)</u> | <u>667,551</u> | <u>375,358</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses | 813,515 | 206,626 | 4,110 | 1,052,288 | 2,076,539 |
| Fund balances at beginning of year | 3,575,516 | 1,676,532 | 33,934 | 3,169,531 | 8,455,513 |
| Increase (decrease) in reserve for inventory | 6,014 | (467) | 0 | 0 | 5,547 |
| Fund balances at end of year | <u>\$4,395,045</u> | <u>\$1,882,691</u> | <u>\$38,044</u> | <u>\$4,221,819</u> | <u>\$10,537,599</u> |

See accompanying notes to the general purpose financial statements.

City of St. Marys

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 2000

| | General Fund | | | Special Revenue Funds | | |
|---|--------------------|--------------------|----------------------------------|-----------------------|--------------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues</u> | | | | | | |
| Property taxes | \$528,009 | \$264,520 | (\$263,489) | \$133,579 | \$62,064 | (\$71,515) |
| Municipal income taxes | 2,268,660 | 2,409,564 | 140,904 | 0 | 0 | 0 |
| Other local taxes | 0 | 0 | 0 | 0 | 0 | 0 |
| Charges for services | 231,175 | 280,447 | 49,272 | 0 | 0 | 0 |
| Licenses and permits | 65,015 | 75,864 | 10,849 | 0 | 0 | 0 |
| Fines and forfeitures | 14,000 | 24,271 | 10,271 | 650 | 2,339 | 1,689 |
| Special assessments | 0 | 0 | 0 | 250 | 889 | 639 |
| Intergovernmental | 491,850 | 681,011 | 189,161 | 268,016 | 280,249 | 12,233 |
| Interest | 250,000 | 469,127 | 219,127 | 54,127 | 79,626 | 25,499 |
| Revolving loan payments | 0 | 0 | 0 | 139,092 | 138,106 | (986) |
| Other | 18,170 | 64,191 | 46,021 | 2,280 | 2,540 | 260 |
| Total revenues | <u>3,866,879</u> | <u>4,268,995</u> | <u>402,116</u> | <u>597,994</u> | <u>565,813</u> | <u>(32,181)</u> |
| <u>Expenditures</u> | | | | | | |
| Current: | | | | | | |
| Security of persons and property | 1,948,743 | 1,774,114 | 174,629 | 268,443 | 256,244 | 12,199 |
| Public health | 19,390 | 5,216 | 14,174 | 0 | 0 | 0 |
| Leisure time activities | 241,650 | 207,173 | 34,477 | 9,189 | 1,161 | 8,028 |
| Community environment | 20,000 | 9,976 | 10,024 | 368,451 | 44,281 | 324,170 |
| Transportation | 0 | 0 | 0 | 623,158 | 550,937 | 72,221 |
| General government | 969,133 | 735,055 | 234,078 | 0 | 0 | 0 |
| Capital outlay | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt service: | | | | | | |
| Principal retirement | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and fiscal charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Total expenditures | <u>3,198,916</u> | <u>2,731,534</u> | <u>467,382</u> | <u>1,269,241</u> | <u>852,623</u> | <u>416,618</u> |
| Excess of revenues over (under) expenditures | <u>667,963</u> | <u>1,537,461</u> | <u>869,498</u> | <u>(671,247)</u> | <u>(286,810)</u> | <u>384,437</u> |
| <u>Other financing sources (uses)</u> | | | | | | |
| Other financing uses | (89,467) | 0 | 89,467 | (19,968) | (19,968) | 0 |
| Proceeds of bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds of notes | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale of fixed assets | 0 | 3,844 | 3,844 | 0 | 2,000 | 2,000 |
| Operating transfers - in | 0 | 0 | 0 | 542,000 | 614,214 | 72,214 |
| Operating transfers - out | (1,225,644) | (912,009) | 313,635 | 0 | 0 | 0 |
| Total other financing sources (uses) | <u>(1,315,111)</u> | <u>(908,165)</u> | <u>406,946</u> | <u>522,032</u> | <u>596,246</u> | <u>74,214</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | <u>(647,148)</u> | <u>629,296</u> | <u>1,276,444</u> | <u>(149,215)</u> | <u>309,436</u> | <u>458,651</u> |
| Fund balances at beginning of year | 3,256,910 | 3,256,910 | 0 | 666,241 | 666,241 | 0 |
| Prior year encumbrances appropriated | 69,222 | 69,222 | 0 | 85,820 | 85,820 | 0 |
| Fund balances at end of year | <u>\$2,678,984</u> | <u>\$3,955,428</u> | <u>\$1,276,444</u> | <u>\$602,846</u> | <u>\$1,061,497</u> | <u>\$458,651</u> |

City of St. Marys

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 2000
(continued)

| | Debt Service Funds | | | Capital Projects Funds | | |
|---|--------------------|------------------|----------------------------------|------------------------|--------------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | | | | |
| Property taxes | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Municipal income taxes | 0 | 0 | 0 | 922,274 | 1,131,340 | 209,066 |
| Other local taxes | 0 | 0 | 0 | 58,000 | 59,205 | 1,205 |
| Charges for services | 0 | 0 | 0 | 2,600 | 2,495 | (105) |
| Licenses and permits | 0 | 0 | 0 | 0 | 0 | 0 |
| Fines and forfeitures | 0 | 0 | 0 | 0 | 0 | 0 |
| Special assessments | 135,896 | 101,815 | (34,081) | 0 | 0 | 0 |
| Intergovernmental | 0 | 0 | 0 | 193,450 | 374,946 | 181,496 |
| Interest | 41 | 0 | (41) | 93,526 | 164,692 | 71,166 |
| Revolving loan payments | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 17,699 | 6,195 | (11,504) |
| Total revenues | 135,937 | 101,815 | (34,122) | 1,287,549 | 1,738,873 | 451,324 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Security of persons and property | 0 | 0 | 0 | 166,420 | 136,063 | 30,357 |
| Public health | 0 | 0 | 0 | 0 | 0 | 0 |
| Leisure time activities | 0 | 0 | 0 | 6,000 | 6,000 | 0 |
| Community environment | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation | 0 | 0 | 0 | 0 | 0 | 0 |
| General government | 0 | 0 | 0 | 153,825 | 142,320 | 11,505 |
| Capital outlay | 0 | 0 | 0 | 2,425,909 | 1,539,118 | 886,791 |
| Debt service: | | | | | | |
| Principal retirement | 2,000,720 | 2,000,720 | 0 | 0 | 0 | 0 |
| Interest and fiscal charges | 78,736 | 78,647 | 89 | 0 | 0 | 0 |
| Total expenditures | 2,079,456 | 2,079,367 | 89 | 2,752,154 | 1,823,501 | 928,653 |
| Excess of revenues over (under) expenditures | (1,943,519) | (1,977,552) | (34,033) | (1,464,605) | (84,628) | 1,379,977 |
| Other financing sources (uses) | | | | | | |
| Other financing uses | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds of bonds | 65,000 | 105,200 | 40,200 | 0 | 0 | 0 |
| Proceeds of notes | 1,526,000 | 1,522,000 | (4,000) | 142,115 | 142,000 | (115) |
| Sale of fixed assets | 0 | 0 | 0 | 150,000 | 40,314 | (109,686) |
| Operating transfers - in | 345,517 | 350,941 | 5,424 | 184,300 | 248,664 | 64,364 |
| Operating transfers - out | 0 | 0 | 0 | (16,255) | (9,293) | 6,962 |
| Total other financing sources (uses) | 1,936,517 | 1,978,141 | 41,624 | 460,160 | 421,685 | (38,475) |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | (7,002) | 589 | 7,591 | (1,004,445) | 337,057 | 1,341,502 |
| Fund balances at beginning of year | 33,934 | 33,934 | 0 | 2,691,814 | 2,691,814 | 0 |
| Prior year encumbrances appropriated | 0 | 0 | 0 | 451,992 | 451,992 | 0 |
| Fund balances at end of year | \$26,932 | \$34,523 | \$7,591 | \$2,139,361 | \$3,480,863 | \$1,341,502 |

See accompanying notes to the general purpose financial statements.

| <u>Total (Memorandum Only)</u> | | |
|--------------------------------|--------------------|---|
| <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| \$661,588 | \$326,584 | (\$335,004) |
| 3,190,934 | 3,540,904 | 349,970 |
| 58,000 | 59,205 | 1,205 |
| 233,775 | 282,942 | 49,167 |
| 65,015 | 75,864 | 10,849 |
| 14,650 | 26,610 | 11,960 |
| 136,146 | 102,704 | (33,442) |
| 953,316 | 1,336,206 | 382,890 |
| 397,694 | 713,445 | 315,751 |
| 139,092 | 138,106 | (986) |
| 38,149 | 72,926 | 34,777 |
| <u>5,888,359</u> | <u>6,675,496</u> | <u>787,137</u> |
| 2,383,606 | 2,166,421 | 217,185 |
| 19,390 | 5,216 | 14,174 |
| 256,839 | 214,334 | 42,505 |
| 388,451 | 54,257 | 334,194 |
| 623,158 | 550,937 | 72,221 |
| 1,122,958 | 877,375 | 245,583 |
| 2,425,909 | 1,539,118 | 886,791 |
| 2,000,720 | 2,000,720 | 0 |
| 78,736 | 78,647 | 89 |
| <u>9,299,767</u> | <u>7,487,025</u> | <u>1,812,742</u> |
| <u>(3,411,408)</u> | <u>(811,529)</u> | <u>2,599,879</u> |
| (109,435) | (19,968) | 89,467 |
| 65,000 | 105,200 | 40,200 |
| 1,668,115 | 1,664,000 | (4,115) |
| 150,000 | 46,158 | (103,842) |
| 1,071,817 | 1,213,819 | 142,002 |
| <u>(1,241,899)</u> | <u>(921,302)</u> | <u>320,597</u> |
| <u>1,603,598</u> | <u>2,087,907</u> | <u>484,309</u> |
| (1,807,810) | 1,276,378 | 3,084,188 |
| 6,648,899 | 6,648,899 | 0 |
| 607,034 | 607,034 | 0 |
| <u>\$5,448,123</u> | <u>\$8,532,311</u> | <u>\$3,084,188</u> |

City of St. Marys

Combined Statement of Revenues, Expenses,
and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 2000

| | Enterprise | Internal Service | Total (Memorandum Only) |
|---|---------------------|---------------------|-------------------------------|
| <u>Operating revenues</u> | | | |
| Charges for services | \$13,872,798 | \$886,260 | \$14,759,058 |
| Tap-in fees | 49,707 | 0 | 49,707 |
| Other operating revenues | 521,996 | 87,585 | 609,581 |
| Total operating revenues | <u>14,444,501</u> | <u>973,845</u> | <u>15,418,346</u> |
| <u>Operating expenses</u> | | | |
| Personal services | 2,679,850 | 52,744 | 2,732,594 |
| Contractual services | 996,134 | 96,998 | 1,093,132 |
| Materials and supplies | 7,181,995 | 227,862 | 7,409,857 |
| Claims | 0 | 471,855 | 471,855 |
| Landfill closure/post closure costs | 43,046 | 0 | 43,046 |
| Other operating expenses | 2,599 | 0 | 2,599 |
| Depreciation | 957,198 | 13,892 | 971,090 |
| Total operating expenses | <u>11,860,822</u> | <u>863,351</u> | <u>12,724,173</u> |
| Operating income | <u>2,583,679</u> | <u>110,494</u> | <u>2,694,173</u> |
| <u>Non-operating revenues (expenses)</u> | | | |
| Gain on sale of fixed assets | 5 | 0 | 5 |
| Loss on disposal of fixed assets | (8,500) | 0 | (8,500) |
| Grants | 50,000 | 0 | 50,000 |
| Interest revenue | 564,450 | 7,527 | 571,977 |
| Interest expense | (694,853) | 0 | (694,853) |
| Total non-operating revenues (expenses) | <u>(88,898)</u> | <u>7,527</u> | <u>(81,371)</u> |
| Income before operating transfers | 2,494,781 | 118,021 | 2,612,802 |
| Operating transfers - in | <u>50,000</u> | <u>0</u> | <u>50,000</u> |
| Net income | 2,544,781 | 118,021 | 2,662,802 |
| Retained earnings at beginning of year - Restated (See Note 3) | 13,075,518 | 188,115 | 13,263,633 |
| Residual equity transfers - out | <u>(82,136)</u> | <u>0</u> | <u>(82,136)</u> |
| Retained earnings at end of year | <u>15,538,163</u> | <u>306,136</u> | <u>15,844,299</u> |
| Contributed capital at beginning of year | 1,649,764 | 6,142 | 1,655,906 |
| Contributed from governmental funds | 545 | 0 | 545 |
| Contributed from proprietary funds | 64,592 | 0 | 64,592 |
| Contributed from developers | 190,687 | 0 | 190,687 |
| Contributed capital at end of year | <u>1,905,588</u> | <u>6,142</u> | <u>1,911,730</u> |
| Total fund equity at end of year | <u>\$17,443,751</u> | <u>\$312,278</u> | <u>\$17,756,029</u> |

See accompanying notes to the general purpose financial statements.

City of St. Marys

Combined Statement of Revenues, Expenses,
and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual
All Proprietary Fund Types
For the Year Ended December 31, 2000

| | Enterprise Funds | | Variance Favorable (Unfavorable) |
|---|--------------------|--------------------|--|
| | Budget | Actual | |
| <u>Revenues</u> | | | |
| Charges for services | \$14,000,217 | \$13,821,698 | (\$178,519) |
| Tap-in fees | 4,000 | 49,707 | 45,707 |
| Other revenues | 179,635 | 552,899 | 373,264 |
| Sale of fixed assets | 1,550 | 80,179 | 78,629 |
| Grants | 0 | 50,000 | 50,000 |
| Interest revenue | 396,500 | 497,803 | 101,303 |
| Proceeds of notes | 3,400,000 | 3,400,000 | 0 |
| Total revenues | <u>17,981,902</u> | <u>18,452,286</u> | <u>470,384</u> |
| <u>Expenses</u> | | | |
| Personal services | 3,064,460 | 2,798,285 | 266,175 |
| Contractual services | 2,053,325 | 1,491,616 | 561,709 |
| Materials and supplies | 9,000,244 | 8,655,530 | 344,714 |
| Other expenses | 131,047 | 69,464 | 61,583 |
| Capital outlay | 4,506,844 | 3,584,245 | 922,599 |
| Debt service: | | | |
| Principal retirement | 3,261,000 | 3,240,000 | 21,000 |
| Interest expense | 572,579 | 541,371 | 31,208 |
| Total expenses | <u>22,589,499</u> | <u>20,380,511</u> | <u>2,208,988</u> |
| Excess of revenues over (under) expenses | (4,607,597) | (1,928,225) | 2,679,372 |
| Operating transfers - in | 10,000 | 10,000 | 0 |
| Operating transfers - out | <u>(761,904)</u> | <u>(302,517)</u> | <u>459,387</u> |
| Excess of revenues over (under) expenses and operating transfers | (5,359,501) | (2,220,742) | 3,138,759 |
| Fund balances at beginning of year | 7,415,664 | 7,415,664 | 0 |
| Prior year encumbrances appropriated | 3,170,693 | 3,170,693 | 0 |
| Fund balances at end of year | <u>\$5,226,856</u> | <u>\$8,365,615</u> | <u>\$3,138,759</u> |

See accompanying notes to the general purpose financial statements.

| Internal Service Funds | | | Total (Memorandum Only) | | |
|------------------------|------------------|----------------------------------|-------------------------|--------------------|----------------------------------|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| \$804,300 | \$789,854 | (\$14,446) | \$14,804,517 | \$14,611,552 | (\$192,965) |
| 0 | 0 | 0 | 4,000 | 49,707 | 45,707 |
| 83,104 | 184,916 | 101,812 | 262,739 | 737,815 | 475,076 |
| 0 | 0 | 0 | 1,550 | 80,179 | 78,629 |
| 0 | 0 | 0 | 0 | 50,000 | 50,000 |
| 7,000 | 7,433 | 433 | 403,500 | 505,236 | 101,736 |
| 0 | 0 | 0 | 3,400,000 | 3,400,000 | 0 |
| <u>894,404</u> | <u>982,203</u> | <u>87,799</u> | <u>18,876,306</u> | <u>19,434,489</u> | <u>558,183</u> |
| 54,300 | 53,590 | 710 | 3,118,760 | 2,851,875 | 266,885 |
| 637,046 | 635,538 | 1,508 | 2,690,371 | 2,127,154 | 563,217 |
| 287,836 | 270,075 | 17,761 | 9,288,080 | 8,925,605 | 362,475 |
| 0 | 0 | 0 | 131,047 | 69,464 | 61,583 |
| 1,041 | 1,041 | 0 | 4,507,885 | 3,585,286 | 922,599 |
| 0 | 0 | 0 | 3,261,000 | 3,240,000 | 21,000 |
| 0 | 0 | 0 | 572,579 | 541,371 | 31,208 |
| <u>980,223</u> | <u>960,244</u> | <u>19,979</u> | <u>23,569,722</u> | <u>21,340,755</u> | <u>2,228,967</u> |
| (85,819) | 21,959 | 107,778 | (4,693,416) | (1,906,266) | 2,787,150 |
| 0 | 0 | 0 | 10,000 | 10,000 | 0 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>(761,904)</u> | <u>(302,517)</u> | <u>459,387</u> |
| (85,819) | 21,959 | 107,778 | (5,445,320) | (2,198,783) | 3,246,537 |
| 94,088 | 94,088 | 0 | 7,509,752 | 7,509,752 | 0 |
| 22,372 | 22,372 | 0 | 3,193,065 | 3,193,065 | 0 |
| <u>\$30,641</u> | <u>\$138,419</u> | <u>\$107,778</u> | <u>\$5,257,497</u> | <u>\$8,504,034</u> | <u>\$3,246,537</u> |

City of St. Marys

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2000

| | Enterprise | Internal Service | Total (Memorandum Only) |
|---|---------------------|---------------------|-------------------------------|
| Increases (decreases) in cash and cash equivalents | | | |
| <u>Cash flows from operating activities</u> | | | |
| Cash received from customers | \$13,821,698 | \$0 | \$13,821,698 |
| Cash received from quasi-external transactions with other funds | 0 | 789,854 | 789,854 |
| Cash received from utility deposits | 45,980 | 0 | 45,980 |
| Cash received from tap-in fees | 49,707 | 0 | 49,707 |
| Cash received from other revenues | 511,834 | 184,916 | 696,750 |
| Cash payments for personal services | (2,707,838) | (47,988) | (2,755,826) |
| Cash payments for contractual services | (638,947) | (96,998) | (735,945) |
| Cash payments to vendors for materials and supplies | (6,774,973) | (229,172) | (7,004,145) |
| Cash payments for claims | 0 | (464,272) | (464,272) |
| Cash payments for quasi-external transactions with other funds | (435,149) | (5,602) | (440,751) |
| Cash payments for utility refunds | (61,109) | 0 | (61,109) |
| Cash payments for other expenses | (3,249) | 0 | (3,249) |
| Net cash provided by operating activities | <u>3,807,954</u> | <u>130,738</u> | <u>3,938,692</u> |
| <u>Cash flows from noncapital financing activities</u> | | | |
| Cash received from grants | 50,000 | 0 | 50,000 |
| Cash received from operating transfers - in | 50,000 | 0 | 50,000 |
| Net cash provided by noncapital financing activities | <u>100,000</u> | <u>0</u> | <u>100,000</u> |
| <u>Cash flows from capital and related financing activities</u> | | | |
| Acquisition of fixed assets | (2,821,380) | 0 | (2,821,380) |
| Capitalization of payments for personal services | (90,379) | 0 | (90,379) |
| Sale of fixed assets | 75,264 | 0 | 75,264 |
| Proceeds of notes | 4,790,000 | 0 | 4,790,000 |
| Principal paid on notes | (4,370,000) | 0 | (4,370,000) |
| Principal paid on revenue bonds | (250,000) | 0 | (250,000) |
| Principal paid on mortgage revenue bonds | (290,000) | 0 | (290,000) |
| Interest paid on notes | (231,220) | 0 | (231,220) |
| Interest paid on revenue bonds | (73,807) | 0 | (73,807) |
| Interest paid on mortgage revenue bonds | (345,659) | 0 | (345,659) |
| Net cash used for capital and related financing activities | <u>(3,607,181)</u> | <u>0</u> | <u>(3,607,181)</u> |
| <u>Cash flows from investing activities</u> | | | |
| Cash received from interest | 558,242 | 7,474 | 565,716 |
| Net increase in cash and cash equivalents | 859,015 | 138,212 | 997,227 |
| Cash and cash equivalents at beginning of year | 11,717,176 | 145,391 | 11,862,567 |
| Cash and cash equivalents at end of year | <u>\$12,576,191</u> | <u>\$283,603</u> | <u>\$12,859,794</u> |

City of St. Marys

Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended December 31, 2000
 (continued)

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Total (Memorandum Only)</u> |
|---|--------------------|-----------------------------|--|
| <u>Reconciliation of operating income to net cash provided by operating activities</u> | | | |
| Operating income | \$2,583,679 | \$110,494 | \$2,694,173 |
| <u>Adjustments to reconcile operating income to net cash provided by operating activities</u> | | | |
| Depreciation | 957,198 | 13,892 | 971,090 |
| Changes in assets and liabilities: | | | |
| Increase in accounts receivable | (62,030) | 0 | (62,030) |
| Decrease in special assessments receivable | 32 | 0 | 32 |
| Increase in intergovernmental receivable | (124) | 0 | (124) |
| Decrease in due from other funds | 860 | 925 | 1,785 |
| Increase in materials and supplies inventory | (94,210) | (2,587) | (96,797) |
| Increase in prepaid items | (52,146) | 0 | (52,146) |
| Increase in accounts payable | 473,004 | 236 | 473,240 |
| Increase in contracts payable | 3,690 | 0 | 3,690 |
| Increase (decrease) in accrued wages payable | (2,054) | 366 | (1,688) |
| Decrease in compensated absences payable | (24,584) | (99) | (24,683) |
| Decrease in intergovernmental payable | (1,390) | (72) | (1,462) |
| Decrease in due to other funds | (1,888) | 0 | (1,888) |
| Increase in claims payable | 0 | 7,583 | 7,583 |
| Decrease in refundable deposits payable from restricted assets | (15,129) | 0 | (15,129) |
| Increase in landfill closure/postclosure liability | 43,046 | 0 | 43,046 |
| Net cash provided by operating activities | <u>\$3,807,954</u> | <u>\$130,738</u> | <u>\$3,938,692</u> |

Non-Cash Capital Transactions

During 2000, the City's governmental funds acquired fixed assets, in the amount of \$545, and donated them to the Swimming Pool enterprise fund. The Water enterprise fund received fixed assets, in the amount of \$64,592, that were acquired by other proprietary funds. The Water and Sewer enterprise funds received fixed assets, in the amounts of \$99,270 and \$91,417, respectively, that were donated by developers.

See accompanying notes to the general purpose financial statements.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

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

A. The City

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

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. Three 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.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of St. Marys consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of St. Marys in 2000.

The City is associated with the Ohio Rural Water Association Workers' Compensation Group Rating Plan, an insurance pool. This organization is presented in Note 23 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Fund Accounting

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

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

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

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types

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

Enterprise Funds

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

Internal Service Funds

The internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's fiduciary funds are agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 2000, and delinquent property taxes, whose availability is indeterminable and which are not intended to finance 2000 operations, have been recorded as deferred revenue. Special assessments are generally also recorded as deferred revenue because they do not meet the availability criteria.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available expendable resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

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

Budgetary information for the activity of the third party administrator is not reported because it is not included in the entity for which the “appropriated budget” is adopted.

Tax Budget

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

Estimated Resources

The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended official certificate of estimated resources issued during 2000.

Appropriations

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgeted Level of Expenditures

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

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately for the City by fiscal agents and not held with the City Treasurer are recorded on the combined balance sheet as "Cash and cash equivalents with fiscal agents".

Investments are reported at fair value, except for repurchase agreements and non-negotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2000.

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 2000 was \$489,260, which includes \$210,468 assigned from other City funds.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Notes Receivable

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

F. Materials and Supplies Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Restricted Assets

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

Restricted assets also represent utility deposits from customers that are restricted because their use is limited to the payment of unpaid utility bills or refunding the deposit to the customer.

I. Unamortized Bond Issuance Costs

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

J. Fixed Assets

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General Fixed Assets

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

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

Proprietary Fund Fixed Assets

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

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

Capitalization of Interest

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from the temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2000, there was no capitalized interest cost incurred on proprietary fund construction projects.

K. Interfund Assets/Liabilities

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Unamortized Gain/Loss 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. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Contributed Capital

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

P. Reserves of Fund Balance/Retained Earnings

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

Proprietary fund retained earnings are reserved for resources necessary to comply with bond financing agreements.

Q. Intergovernmental Revenues

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

R. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. Residual equity transfers also include the transfer of fixed assets between the proprietary funds and the general fixed asset account group. Fixed assets transferred into the proprietary funds are recorded as capital contributions rather than residual equity transfers in and as additions to fixed assets in the general fixed asset account group.

All other interfund transfers are reported as operating transfers.

S. Estimates

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CORRECTION OF ERROR AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

A restatement was recorded in the enterprise funds for receivables recorded incorrectly in the prior year.

These changes had the following effect on net loss/excess of revenues under expenses as previously reported for the year ended December 31, 1999.

| | Enterprise |
|---|-------------|
| Net Loss/Excess as Previously Reported | (\$664,033) |
| Restatement for Accounts Receivable | 945,704 |
| Restated Amount for the Year Ended December 31, 1999 | \$281,671 |

The restatement had the following effect on retained earnings as previously reported for the year ended December 31, 1999.

| | Enterprise |
|---|--------------|
| Retained Earnings as Previously Reported | \$12,129,814 |
| Restatement for Accounts Receivable | 945,704 |
| Restated Retained Earnings December 31, 1999 | \$13,075,518 |

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

As of December 31, 2000, the Swimming Pool enterprise fund had deficit retained earnings, in the amount of \$18,658, which was due to accruing wage and operating expenses which exceeded the revenues earned from pool admissions in accordance with generally accepted accounting principles.

As of December 31, 2000, the Refuse enterprise fund had deficit retained earnings, in the amount of \$1,892,129, which was a result of accruing estimated landfill postclosure costs in accordance with generally accepted accounting principles.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

These funds complied with Ohio Revised Code which does not permit deficit retained earnings on a cash basis.

B. Agency Funds

The following are accruals for the agency funds, which in another fund type, would be recognized on the combined balance sheet:

Assets

| | |
|---------------------|---------|
| Accounts Receivable | \$9,920 |
|---------------------|---------|

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for proprietary fund types (GAAP basis).
4. For the proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Under Ohio law, debt transactions may be recorded in a debt service fund (budget basis) as opposed to allocating the payments to the fund in which the proceeds were recorded (GAAP basis).
6. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

| Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses All Governmental Fund Types | | | | |
|---|-----------|--------------------|-----------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| GAAP Basis | \$813,515 | \$206,626 | \$4,110 | \$1,052,288 |
| <u>Increases (Decreases) Due To</u> | | | | |
| Revenue Accruals: | | | | |
| Accrued 1999, Received in Cash 2000 | 245,307 | 17,811 | 0 | 420,386 |
| Accrued 2000, Not Yet Received in Cash | (286,870) | (18,780) | (3,521) | (135,735) |
| Expenditure Accruals: | | | | |
| Accrued 1999, Paid in Cash 2000 | (55,620) | (9,386) | 0 | (404,359) |
| Accrued 2000, Not Yet Paid in Cash | 106,192 | 17,235 | 0 | 36,808 |
| Cash Adjustments: | | | | |
| Unrecorded Activity 1999 | 17,088 | 4,263 | 0 | 9,698 |
| Unrecorded Activity 2000 | (34,794) | (4,987) | 0 | (11,340) |
| Notes Receivable | | | | |
| New Loans | 0 | (19,968) | 0 | 0 |
| Repayments | 0 | 138,106 | 0 | 0 |
| Prepaid Items | (23,693) | (7,310) | 0 | 0 |
| Proceeds of Notes | 0 | 0 | 1,522,000 | 0 |
| Note Principal Retirement | 0 | 0 | (1,942,000) | 0 |
| Note Interest | 0 | 0 | (8,419) | 8,419 |
| Proceeds of Bonds | 0 | 0 | 105,200 | 0 |
| Reallocation of Debt Activity | 0 | 0 | 323,219 | (8,419) |
| Encumbrances Outstanding at Year End (Budget Basis) | (151,829) | (14,174) | 0 | (630,689) |
| Budget Basis | \$629,296 | \$309,436 | \$589 | \$337,057 |

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

| | Enterprise | Internal Service |
|--|-------------|---------------------|
| GAAP Basis | \$2,544,781 | \$118,021 |
| <u>Increases (Decreases) Due To</u> | | |
| Revenue Accruals: | | |
| Accrued 1999, Received in Cash 2000 | 1,099,750 | 5,500 |
| Accrued 2000, Not Yet Received in Cash | (1,167,220) | (4,628) |
| Expense Accruals: | | |
| Accrued 1999, Paid in Cash 2000 | (2,260,335) | (36,961) |
| Accrued 2000, Not Yet Paid in Cash | 1,646,775 | 44,975 |
| Cash Adjustments: | | |
| Unrecorded Activity 1999 | 22,507 | 237 |
| Unrecorded Activity 2000 | (18,262) | (278) |
| Materials and Supplies Inventory | (94,210) | (2,587) |
| Prepaid Items | (52,146) | 0 |
| Landfill Closure/Postclosure Costs | 43,046 | 0 |
| Acquisition of Fixed Assets | (1,869,945) | 0 |
| Depreciation Expense | 957,198 | 13,892 |
| Sale of Fixed Asset | 75,264 | 0 |
| Gain on Sale of Fixed Assets | (5) | 0 |
| Loss on Disposal of Fixed Assets | 8,500 | 0 |
| Proceeds of Notes | 3,400,000 | 0 |
| Note Principal Retirement | (2,700,000) | 0 |
| Bond Principal Retirement | (540,000) | 0 |
| Unamortized Bond Issuance Costs | 19,351 | 0 |
| Accounting Loss | 43,340 | 0 |
| Utility Deposits | (15,129) | 0 |

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

| | Enterprise | Internal Service |
|---|---------------|---------------------|
| Excess of Revenues (Over) Under Expenses for Non-Budgeted Activity | (\$17,886) | \$1,552 |
| Reallocation of Debt Activity | (280,000) | 0 |
| Encumbrances Outstanding at Year End (Budget Basis) | (3,066,116) | (117,764) |
| Budget Basis | (\$2,220,742) | \$21,959 |

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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.

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.

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;

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

At year end, the carrying amount of the City's deposits was \$12,620,147 and the bank balance was \$12,887,519. Of the bank balance, \$300,000 was covered by federal depository insurance and \$12,587,519 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

| | Category 1 | Category 3 | Fair Value |
|---------------------------|---------------|---------------|---------------|
| Manuscript Bonds | \$175,812 | \$0 | \$175,812 |
| Repurchase Agreement | 0 | 2,124,271 | 2,124,271 |
| | \$175,812 | \$2,124,271 | 2,300,083 |
| Money-Market Mutual Funds | | | 1,628,730 |
| STAR Ohio | | | 5,767,486 |
| | | | \$9,696,299 |

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|---------------------------|---------------------------------------|-------------|
| GASB Statement No. 9 | \$22,316,446 | \$0 |
| Investments: | | |
| Manuscript Bonds | (175,812) | 175,812 |
| Repurchase Agreement | (2,124,271) | 2,124,271 |
| Money-Market Mutual Funds | (1,628,730) | 1,628,730 |
| STAR Ohio | (5,767,486) | 5,767,486 |
| GASB Statement No. 3 | \$12,620,147 | \$9,696,299 |

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2000 represent the collection of 1999 taxes. For 2000, real property taxes were levied after October 1, 2000, on the assessed values as of January 1, 2000, the lien date. These taxes will be collected in and are intended to finance 2001 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes were levied after October 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2000 (other than public utility property) represent the collection of 2000 taxes. For 2000, tangible personal property taxes were levied after October 1, 1999, on the true value as of December 31, 1999. These taxes will be collected in and are intended to finance 2001 operations. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2000 operations.

The full tax rate for all City operations for the year ended December 31, 2000, was \$5.32 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2000 property tax receipts were based are as follows:

| Category | Amount |
|----------------------------|---------------|
| Real Property | |
| Agricultural/Residential | \$67,837,950 |
| Commercial/Industrial | 23,776,370 |
| Public Utility Property | |
| Real | 8,380 |
| Personal | 2,156,790 |
| Tangible Personal Property | 27,145,430 |
| Total Assessed Value | \$120,924,920 |

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 8 - MUNICIPAL INCOME TAXES

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2000, consisted of taxes; accounts (billings for user charged services, including unbilled utility services); special assessments; intergovernmental receivables arising from grants, entitlements, and shared revenues; accrued interest; notes; and services charged to other funds. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|----------|
| General Fund | |
| Estate Tax | \$36,042 |
| Criminal Justice Grant | 2,377 |
| Fire Protection | 8,001 |
| Local Government | 4,308 |
| Lodging Tax | 394 |
| Municipal Court Fees | 609 |
| Personal Property Exemption | 3,195 |
| Total General Fund | 54,926 |
| Special Revenue Funds | |
| Street Maintenance and Repair | |
| Gasoline Tax | 13,372 |
| Motor Vehicle License Tax | 3,041 |
| Total Street Maintenance and Repair | 16,413 |
| State Highway | |
| Gasoline Tax | 1,084 |
| Motor Vehicle License Tax | 247 |
| Total State Highway | 1,331 |
| Drug Law Enforcement | |
| Fines and Forfeitures | 200 |

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 9 - RECEIVABLES (continued)

| | Amount |
|-----------------------------------|-----------|
| Special Revenue Funds (continued) | |
| Enforcement and Education | |
| Fines and Forfeitures | \$75 |
| Police Pension | |
| Personal Property Exemption | 381 |
| Fire Pension | |
| Personal Property Exemption | 380 |
| Total Special Revenue Funds | 18,780 |
| Capital Projects Fund | |
| Capital Improvement | |
| CDBG Grant | 37,925 |
| Enterprise Fund | |
| Water | |
| Charges for Services | 124 |
| Total All Funds | \$111,755 |

By State statute, local property taxes have been reduced 10 percent, with additional reductions for the elderly and the disabled. The amount of these reductions, estimated to be \$39,600, will be paid to the City by the State of Ohio in the latter part of 2001.

NOTE 10 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant program. The notes have an annual interest rate of 3-9.25 percent and are repaid over periods ranging from five to thirty years. A summary of the changes in notes receivable during 2000 follows:

| | Balance 12/31/99 | New Loans | Repayments | Balance 12/31/00 |
|----------------------|---------------------|--------------|------------|---------------------|
| Special Revenue Fund | | | | |
| CDBG | | | | |
| Individual Loans | \$97,251 | \$0 | \$7,373 | \$89,878 |
| Business Loans | 794,425 | 19,968 | 130,733 | 683,660 |
| Total | \$891,676 | \$19,968 | \$138,106 | \$773,538 |

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 11 - FIXED ASSETS

A. General Fixed Assets

A summary of the changes in general fixed assets during 2000 is as follows:

| | Balance 12/31/99 | Additions | Reductions | Balance 12/31/00 |
|----------------------------|---------------------|------------------|------------------|---------------------|
| Land and Improvements | \$1,224,732 | \$2,253 | \$0 | \$1,226,985 |
| Buildings | 884,742 | 496,160 | 0 | 1,380,902 |
| Building Improvements | 383,254 | 0 | 0 | 383,254 |
| Machinery and Equipment | 1,204,422 | 121,490 | 13,408 | 1,312,504 |
| Vehicles | 1,360,054 | 73,100 | 20,369 | 1,412,785 |
| Construction in Progress | 463,273 | 25,721 | 488,994 | 0 |
| Total General Fixed Assets | <u>\$5,520,477</u> | <u>\$718,724</u> | <u>\$522,771</u> | <u>\$5,716,430</u> |

B. Enterprise Fund Fixed Assets

A summary of the enterprise funds' fixed assets at December 31, 2000, follows:

| | Enterprise | Internal Service |
|---|---------------------|---------------------|
| Land and Improvements | \$1,302,012 | \$0 |
| Buildings | 5,633,303 | 0 |
| Improvements Other than Buildings | 347,574 | 9,162 |
| Machinery and Equipment | 11,947,855 | 111,823 |
| Vehicles | 1,514,922 | 24,178 |
| Water and Sewer Lines | 12,510,595 | 0 |
| Construction in Progress | 2,877,523 | 0 |
| Total | <u>36,133,784</u> | <u>145,163</u> |
| Less Accumulated Depreciation | <u>(18,476,802)</u> | <u>(82,458)</u> |
| Total Fixed Assets Net of Accumulated Depreciation | <u>\$17,656,982</u> | <u>\$62,705</u> |

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 12 - INTERFUND ASSETS/LIABILITIES

As of December 31, 2000, receivables and payables that resulted from various interfund transactions were as follows:

| | Due from Other Funds | Due to Other Funds |
|-------------------------------|-------------------------|-----------------------|
| General Fund | \$0 | \$932 |
| Special Revenue Fund | | |
| Street Maintenance and Repair | 0 | 1,713 |
| Enterprise Funds | | |
| Water | 357 | 3,179 |
| Sewer | 209 | 3,914 |
| Electric | 6,550 | 1,027 |
| Refuse | 0 | 600 |
| Total Enterprise Funds | 7,116 | 8,720 |
| Internal Service Fund | | |
| City Garage | 4,249 | 0 |
| Total All Funds | \$11,365 | \$11,365 |

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

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

| Type of Coverage | Coverage | Deductible |
|-------------------------------|-------------|------------|
| General Liability | \$5,000,000 | \$5,000 |
| Police Professional Liability | 5,000,000 | 5,000 |
| Public Official Liability | 5,000,000 | 5,000 |
| Automobile Fleet Liability | 5,000,000 | 5,000 |
| Buildings and Contents | 60,844,945 | 1,000 |
| Boiler and Machinery | 10,000,000 | various |
| Inland Marine (EDP Floater) | 175,000 | 250 |
| Equipment | 921,704 | 250 |

There have been no significant reductions in insurance coverage from 1999, 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 coverages.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 13 - RISK MANAGEMENT (continued)

B. Employee Medical Benefits

The City has elected to provide employee health insurance benefits through a partially self-insured program. The City established a Self-Insurance internal service fund to account for and finance the cost of the program. All funds of the City participate in the self-insurance program and make payments to the Self-Insurance internal service fund based upon actuarial estimates of the amounts needed to pay prior- and current-year claims. For 2000, the City utilized a third party administrator, Anthem Benefit Administrators, to process all claims. The monthly premiums are \$204.30 for single coverage and \$567.10 for family coverage; the employee's share is \$7.71 and \$23.13, respectively. All premiums paid to the Self-Insurance internal service fund were deposited with the claims servicing pool. The cost to the City for the third party administrator is \$15.00 per employee per month.

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

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2000, is estimated by the third party administrator at \$34,527. The changes in the claims liability for 2000 and 1999 were as follows:

| Year | Beginning Balance | Current-Year Claims and Changes in Estimates | Claims Payments | Ending Balance |
|------|-------------------|--|-----------------|----------------|
| 2000 | \$26,944 | \$471,855 | \$464,272 | \$34,527 |
| 1999 | 28,709 | 518,443 | 520,208 | 26,944 |

C. Workers' Compensation

For 2000, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 14 - CONTRACTUAL COMMITMENTS

At December 31, 2000, the City had contractual commitments as follows:

| Project | Vendor | Contract Amount | Paid | Balance |
|------------------------------|--------------------------------|-----------------|-----------|-----------|
| Street Program | PAB Construction | \$730,880 | \$253,852 | \$477,028 |
| Water Improvements | Corrpro Companies, Inc | 10,950 | 0 | 10,950 |
| Electric System Improvements | American Municipal Power, Ohio | 1,996,200 | 1,833,670 | 162,530 |
| Landfill Closure | Hull and Associates | 46,204 | 36,730 | 9,474 |

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 10.84 percent; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for 2000 represents a temporary rate reduction from the 1999 contribution rate of 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City’s contributions to the System for the years ended December 31, 2000, 1999, and 1998, were \$208,671, \$291,568, and \$285,363, respectively; 81 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000, in the amount of \$40,652, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police (12.25 percent was the portion used to fund pension obligations); and 24 percent for firefighters (16.75 percent was the portion used to fund pension obligations). Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2000, 1999, and 1998, were \$163,038, \$163,811, and \$164,255, respectively; 73 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000, in the amount of \$44,192, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State retirement system have an option to choose Social Security or the appropriate State system. As of December 31, 2000, twelve part-time firemen have elected Social Security. The City's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion used to fund health care for 2000. In 1999, the employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion used to fund health care.

Benefits are advance funded using the entry age normal cost method. (For 2000, the System returned to an actuarially prefunded disclosure because this provides a better presentation of the System's actual funding methodology. In prior years, the disclosure was based on a pay-as-you-go basis.) Significant actuarial assumptions include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually, and an additional increase in total payroll of .54 percent to 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

OPB are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2000, the total number of benefit recipients eligible for OPB through the System was 401,339. As of December 31, 2000, the actuarial value of net assets available for future OPB payments were \$10,085.5 million. The actuarially accrued liability and the unfunded actuarial liability were \$12,473.6 million and \$1,668.1 million, respectively. The City's actual contributions for 2000 which were used to fund OPB were \$137,200.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7.25 percent was the portion used to fund health care for 2000. The portion used to fund health care was 7 percent in 1999. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters. The City's actual contributions for 2000 that were used to fund postemployment benefits were \$42,716 for police and \$39,329 for firefighters. The Fund's total health care expenses for the year ended December 31, 1999, (the latest information available), were \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 17 - 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 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 may not exceed forty hours as of December 31 of each year. Upon termination of employment, employees are entitled to receive, in cash, any remaining balance of unused compensatory time.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 18 - SHORT-TERM OBLIGATIONS

Short-term obligations activity for the year ended December 31, 2000, was as follows:

| | Interest Rate | Balance 12/31/99 | Additions | Reductions | Balance 12/31/00 |
|--|------------------|---------------------|--------------------|--------------------|---------------------|
| <u>Enterprise Funds</u> | | | | | |
| Water Improvement Bond Anticipation Note | 4.50% | \$100,000 | \$0 | \$100,000 | \$0 |
| Land Improvement Bond Anticipation Note | 3.55 | 2,000,000 | 3,400,000 | 2,700,000 | 2,700,000 |
| Sanitary Improvement Bond Anticipation Note | 4.40 | 1,570,000 | 1,390,000 | 1,570,000 | 1,390,000 |
| Total Notes Payable | | <u>\$3,670,000</u> | <u>\$4,790,000</u> | <u>\$4,370,000</u> | <u>\$4,090,000</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 notes are bond anticipation notes and are supported by the full faith and credit of the City. The liability for all notes is presented in the fund which received the proceeds and have a maturity of one year.

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2000, was as follows:

| | Interest Rate | Balance 12/31/99 | Additions | Reductions | Balance 12/31/00 |
|--|------------------|---------------------|----------------|----------------|---------------------|
| <u>General Long-Term Obligations</u> | | | | | |
| <u>Bond Anticipation Notes</u> | | | | | |
| 1999 Street Program Bond Anticipation Notes | 4.21% | \$140,000 | \$132,000 | \$272,000 | \$0 |
| 2000 Street Program Bond Anticipation Notes | 5.25 | 0 | \$142,000 | 0 | 142,000 |
| Total Bonds Anticipation Notes | | <u>140,000</u> | <u>274,000</u> | <u>272,000</u> | <u>142,000</u> |
| <u>Special Assessment Bonds</u> | | | | | |
| 1993 Manuscript Bonds | 5.00 | 4,490 | 0 | 1,120 | 3,370 |
| 1994 Manuscript Bonds | 4.75 | 27,000 | 0 | 27,000 | 0 |
| 1995 Manuscript Bonds | 4.50 | 13,600 | 0 | 6,800 | 6,800 |
| 1996 Manuscript Bonds | 4.50 | 43,800 | 0 | 14,600 | 29,200 |
| 1999 Various Purpose Bonds | 4.50 | 46,000 | 0 | 9,200 | 36,800 |
| 2000 Various Purpose Bonds | 5.00 | 0 | 105,200 | 0 | 105,200 |
| Total Special Assessment Bonds | | <u>134,890</u> | <u>105,200</u> | <u>58,720</u> | <u>181,370</u> |

(continued)

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

| | Interest Rate | Balance 12/31/99 | Additions | Reductions | Balance 12/31/00 |
|--|------------------|---------------------|-----------|-------------|---------------------|
| <u>Other Long-Term Obligations</u> | | | | | |
| Compensated Absences Payable | | \$183,240 | \$4,503 | \$ 0 | \$187,743 |
| Intergovernmental Payable | | 89,711 | 85,646 | 89,711 | 85,646 |
| Loans Payable | 4.21% | 102,100 | 0 | 35,000 | 67,100 |
| Fire Pension Liability | | 15,847 | 0 | 168 | 15,679 |
| Total Other Long-Term Obligations | | 390,898 | 90,149 | 124,879 | 356,168 |
| Total General Long-Term Obligations | | 665,788 | 469,349 | 455,599 | 679,538 |
| <u>Enterprise Fund Obligations</u> | | | | | |
| <u>Revenue Bonds</u> | | | | | |
| 1991 Water Revenue Bonds | 4.40 - 6.65 | 1,135,000 | 0 | 65,000 | 1,070,000 |
| 1991 Sewer Revenue Refunding Bonds | 4.75 - 5.15 | 2,260,000 | 0 | 185,000 | 2,075,000 |
| Total Revenue Bonds | | 3,395,000 | 0 | 250,000 | 3,145,000 |
| <u>Mortgage Revenue Bonds</u> | | | | | |
| 1990 Electric Mortgage Revenue Refunding Bonds | 4.75 - 5.30 | 3,270,000 | 0 | 230,000 | 3,040,000 |
| 1991 Electric Mortgage Revenue Bonds | 4.40 - 6.65 | 1,070,000 | 0 | 60,000 | 1,010,000 |
| Total Mortgage Revenue Bonds | | 4,340,000 | 0 | 290,000 | 4,050,000 |
| <u>Other Long-Term Obligations</u> | | | | | |
| Compensated Absences Payable | | 305,593 | 0 | 24,584 | 281,009 |
| Intergovernmental Payable | | 85,923 | 84,533 | 85,923 | 84,533 |
| Landfill Closure/Postclosure Costs | | 2,152,277 | 43,046 | 0 | 2,195,323 |
| Total Other Long-Term Obligations | | 2,543,793 | 127,579 | 110,507 | 2,560,865 |
| Total Enterprise Fund Obligations | | 10,278,793 | 127,579 | 650,507 | 9,755,865 |
| Total Long-Term Obligations | | \$10,944,581 | \$596,928 | \$1,106,106 | \$10,435,403 |

Bond Anticipation Notes

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

Special Assessment Bonds

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

Compensated Absences Payable

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Intergovernmental Payable

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

Loans Payable

The loans payable, for the purchase of land, will be paid from the General fund.

Fire Pension Liability

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

Revenue Bonds

The revenue bonds are liabilities of the Water and Sewer enterprise funds and pledge their respective revenues for repayment. The bonds also pledge the full faith and credit and taxing authority of the City in the event the enterprise funds revenues are not sufficient to meet the principal and interest requirements. The 1991 Sewer Revenue Refunding Bonds are reported on the combined balance sheet net of the unamortized loss on advanced refunding of \$213,653.

The Water Revenue Bonds include serial and term bonds. The term bonds maturing on December 1, 2011, are subject to mandatory redemption prior to maturity, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2005 | \$85,000 |
| 2006 | 100,000 |
| 2007 | 105,000 |
| 2008 | 110,000 |
| 2009 | 115,000 |
| 2010 | 125,000 |

The Water Revenue Bonds have optional redemption provisions which, at the sole option of the City, are callable either in whole or in part, in multiples of \$5,000, at the following redemption prices plus accrued interest:

| <u>Redemption Dates</u> | <u>Redemption Prices</u> |
|---|--------------------------|
| December 1, 2001, through November 30, 2002 | 102% |
| December 1, 2002, through November 30, 2003 | 101 |
| December 1, 2003, and thereafter | 100 |

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Mortgage Revenue Bonds

The mortgage revenue bonds are special obligations of the City secured by a mortgage upon all assets of the electric system. These bonds are payable solely from the gross revenues of the electric system after provision for reasonable operating and maintenance expenses. The bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers be in sufficient amounts to satisfy the obligations under the indenture agreements. The Electric Mortgage Revenue Bonds are reported on the combined balance sheet net of the unamortized loss on advanced refunding of \$321,060.

The Electric Mortgage Revenue Bonds include serial and term bonds. The term bonds maturing on December 1, 2011, are subject to mandatory redemption prior to maturity, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

| Year | Amount |
|------|----------|
| 2005 | \$85,000 |
| 2006 | 90,000 |
| 2007 | 95,000 |
| 2008 | 100,000 |
| 2009 | 110,000 |
| 2010 | 115,000 |

The Electric Mortgage Revenue Bonds have optional redemption provisions which, at the sole option of the City, are callable either in whole or in part, in multiples of \$5,000, at the following redemption prices plus accrued interest:

| Redemption Dates | Redemption Prices |
|---|-------------------|
| December 1, 2001, through November 30, 2002 | 102% |
| December 1, 2002, through November 30, 2003 | 101 |
| December 1, 2003, and thereafter | 100 |

Defeased Debt

In 1991, the City advance refunded revenue and mortgage revenue bonds, in the amount of \$2,645,000 and \$3,540,000, respectively. The proceeds of the bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2000, revenue and mortgage revenue bonds, in the amount of \$1,990,000, and \$2,840,000, were outstanding.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Conduit Debt

In prior years, the City issued industrial development revenue bonds for facilities used by a private corporation, in the amount of \$4,250,000. The bonds are secured by the property financed and are payable solely by the corporation. The City is not obligated in any way to pay debt and related charges on the industrial revenue bonds from any of its funds, and therefore, they have been excluded entirely from the City's financial statements. The total amount of the industrial development revenue bonds, in the amount of \$4,250,000, is due in a single payment in 2001.

The City's legal debt margin was \$12,555,117 at December 31, 2000.

Principal and interest requirements to retire the general long-term obligations outstanding at December 31, 2000, were as follows:

| Year | Special Assessment Bonds | Loans | Fire Pension Liability | Total |
|--------------|--------------------------------|-----------------|------------------------------|------------------|
| 2001 | \$61,642 | \$35,000 | \$958 | \$97,600 |
| 2002 | 52,132 | 32,100 | 958 | 85,190 |
| 2003 | 35,365 | 0 | 958 | 36,323 |
| 2004 | 32,714 | 0 | 958 | 33,672 |
| 2005 | 22,050 | 0 | 958 | 23,008 |
| 2006 to 2010 | 0 | 0 | 4,792 | 4,792 |
| 2011 to 2015 | 0 | 0 | 4,792 | 4,792 |
| 2016 to 2035 | 0 | 0 | 18,690 | 18,690 |
| Total | <u>\$203,903</u> | <u>\$67,100</u> | <u>\$33,064</u> | <u>\$304,067</u> |

Principal and interest requirements to retire the enterprise funds long-term obligations outstanding at December 31, 2000, were as follows:

| Year | Revenue Bonds | Mortgage Revenue Bonds | Total |
|--------------|--------------------|------------------------------|--------------------|
| 2001 | \$432,698 | \$528,620 | \$961,318 |
| 2002 | 434,438 | 533,050 | 967,488 |
| 2003 | 435,360 | 531,360 | 966,720 |
| 2004 | 430,345 | 528,810 | 959,155 |
| 2005 | 429,775 | 530,390 | 960,165 |
| 2006 to 2010 | 1,864,520 | 2,622,805 | 4,487,325 |
| 2011 | 138,645 | 133,313 | 271,958 |
| Total | <u>\$4,165,781</u> | <u>\$5,408,348</u> | <u>\$9,574,129</u> |

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 20 - RESERVED RETAINED EARNINGS AND RESTRICTED ASSET ACCOUNTS

Fund assets, whose use are restricted under the bond indentures to replacement and improvements, operations, and debt service requirements, are presented as restricted assets on the combined balance sheet. These assets are further segregated between those held by the City and those held by the trustees. Restricted assets relating to each of the bond issues were as follows at December 31, 2000.

| | Restricted Assets | | | | Totals |
|--|-------------------|-------------------------------|--|---------------------------------|-------------|
| | Water Revenue | Sewer Revenue Refunding | Electric Mortgage Revenue Refunding | Electric Mortgage Revenue | |
| <u>Restricted Assets held by the City for:</u> | | | | | |
| Bond Replacement and Improvements | \$543,521 | \$228,253 | \$1,412,779 | \$0 | \$2,184,553 |
| Operations | 360,939 | 159,906 | 2,799,940 | 0 | 3,320,785 |
| Construction | 59,591 | 849 | 0 | 0 | 60,440 |
| <u>Restricted Assets held by Trustee for:</u> | | | | | |
| Bond Current Debt Service | 20,015 | 43,668 | 58,624 | 18,817 | 141,124 |
| Bond Future Debt Service | 146,127 | 301,386 | 402,711 | 134,850 | 985,074 |

NOTE 21 - 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 balance sheet date.

The City is in the process of closing the landfill. The landfill closure and postclosure liability of \$2,195,323 at December 31, 2000, 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 2000. 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.

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 22 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of a swimming pool, and for water, sewer, electric, and refuse services. Financial segment information as of and for the year ended December 31, 2000, was as follows:

| | Swimming Pool | Water | Sewer | Electric | Refuse | Total |
|---|------------------|-------------|-------------|--------------|-------------|--------------|
| Operating Revenues | \$34,856 | \$1,247,986 | \$1,207,536 | \$11,034,111 | \$920,012 | \$14,444,501 |
| Depreciation | 13,638 | 271,986 | 262,460 | 346,670 | 62,444 | 957,198 |
| Operating Income (Loss) | (25,946) | 166,102 | 311,787 | 1,879,979 | 251,757 | 2,583,679 |
| Grants | 0 | 30,000 | 20,000 | 0 | 0 | 50,000 |
| Operating Transfers - In | 10,000 | 0 | 0 | 0 | 40,000 | 50,000 |
| Net Income (Loss) | (15,946) | 193,801 | 270,365 | 1,855,165 | 241,396 | 2,544,781 |
| Current Capital Contributions | 545 | 163,862 | 91,417 | 0 | 0 | 255,824 |
| Fixed Assets: | | | | | | |
| Additions | 545 | 336,388 | 595,579 | 1,087,877 | 23,244 | 2,043,633 |
| Reductions | 0 | 23,558 | 10,375 | 96,415 | 0 | 130,348 |
| Net Working Capital | 6,715 | 582,727 | 890,868 | 664,870 | (186,375) | 1,958,805 |
| Long-Term Obligations: | | | | | | |
| Compensated Absences Payable | 0 | 65,221 | 43,171 | 141,748 | 26,417 | 276,557 |
| Revenue Bonds Payable (net of unamortized loss on advance refunding) | 0 | 1,000,000 | 1,671,347 | 0 | 0 | 2,671,347 |
| Mortgage Revenue Bonds Payable (net of unamortized loss on advance refunding) | 0 | 0 | 0 | 3,418,940 | 0 | 3,418,940 |
| Landfill Closure/Postclosure Costs | 0 | 0 | 0 | 0 | 2,195,323 | 2,195,323 |
| Total Assets | 93,233 | 6,235,428 | 6,485,254 | 17,599,354 | 1,795,973 | 32,209,242 |
| Total Equity (Deficit) | 92,806 | 5,052,908 | 4,538,384 | 9,648,153 | (1,888,500) | 17,443,751 |
| Encumbrances Outstanding at Year End (Budget Basis) | 1,026 | 54,312 | 101,906 | 2,843,194 | 65,678 | 3,066,116 |

NOTE 23 - INSURANCE POOL

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

City of St. Marys
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 24 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2000, to December 31, 2000, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 25 - SUBSEQUENT EVENTS

On January 1, 2001, the City became a participant, with other subdivisions within the State of Ohio, in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Ohio Municipal Electrical Generation Agency Joint Venture 2 (JV2) is managed by AMP-Ohio who acts as the joint venture's agent. Membership in the joint venture includes financing or non-financing participants and owner or purchasing participants. The City is a financing, purchasing participant. As a financing participant, the City will begin making payments to JV2 in 2001. The City made no payments during 2000.

On March 29, 2001, the City issued \$127,000 in bond anticipation notes for street improvements. The notes have an interest rate of 4.25 percent and mature on March 29, 2002.

On June 13, 2001, the City issued \$1,300,000 in bond anticipation notes for improving the sanitary landfill. The notes have an interest rate of 3.20 percent and mature on June 13, 2002.

On June 20, 2001, the City issued \$142,000 in bond anticipation notes for street improvements. The notes have an interest rate of 4.00 percent and mature on October 18, 2001.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control Over Financial Reporting 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 City of St. Marys as of and for the year ended December 31, 2000, and have issued our report thereon dated August 29, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of St. Marys financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-COSM-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City of St. Marys in a separate letter dated August 29, 2001.

Mayor and Members of Council
City of St. Marys

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Marys internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of St. Marys in a separate letter dated August 29, 2001.

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

Trimble, Julian & Grube, Inc.
August 29, 2001

SCHEDULE OF FINDINGS

**CITY OF ST. MARYS
AUGLAIZE COUNTY
DECEMBER 31, 2000**

**1. FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

| | |
|----------------|---------------|
| Finding Number | 2000-COSM-001 |
|----------------|---------------|

Ohio Revised Code Section 117.38 requires that GAAP-basis entities must file annual reports within 150 days of the fiscal year end.

The City filed GAAP-basis financial statements with the Auditor of State’s Office in July 2001.

The City delays the audit and is not providing the City or its taxpayers with timely financial statements by not filing annual reports within the required time.

We recommend that the City make its best effort to complete its GAAP financial reports and submit them to the Auditor of State by the due date. This may require the City to insist that the City’s GAAP consultant comply with the GAAP statements due date or to consider contracting with other consultants to ensure timely submission. Otherwise, the City may continue to be in non-compliance with this requirement, which does not provide for proper monitoring by the Auditor of State and the required audit, or for timely disclosure of the City’s activities to its taxpayers.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

CITY OF ST. MARYS

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 15, 2001**