



Dave Yost • Auditor of State



**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	24
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds .....	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	27
Statement of Fund Net Position - Proprietary Funds .....	28
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	29
Statement of Cash Flows - Proprietary Funds .....	30
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds .....	32
Notes to the Basic Financial Statements .....	33
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	71

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items previously reported as assets and liabilities*". We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 4, 2013

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

The management's discussion and analysis of the City of St. Marys (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- The total net position of the City decreased \$46,626. Net position of governmental activities decreased \$516,575 or 1.57% from 2011 and net position of business-type activities increased \$469,949 or 1.84% from 2011.
- General revenues accounted for \$5,888,315 or 81.28% of total governmental activities revenue. Program specific revenues accounted for \$1,355,723 or 18.72% of total governmental activities revenue.
- The City had \$6,887,947 in expenses related to governmental activities; \$1,355,723 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,532,224 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,888,315.
- The City's major governmental funds include the general fund and voted income tax fund. The general fund had revenues and other financing sources of \$4,473,113 in 2012. The expenditures and other financing uses of the general fund totaled \$4,969,012 in 2012. The net decrease in fund balance for the general fund was \$499,130 or 12.38%.
- The voted income tax fund had revenues of \$1,250,757 in 2012. The expenditures of the voted income tax fund totaled \$946,574 in 2012. The net increase in fund balance for the voted income tax fund was \$304,183 or 10.10%.
- Net position for the business-type activities, which are made up of the water, sewer, electric and refuse enterprise funds, increased in 2012 by \$469,949. This increase in net position resulted primarily from transfers from the governmental activities to the electric fund of \$872,666.
- In the general fund, the actual revenues and other financing sources were \$909,337 higher than in the final budget and actual expenditures and other financing uses were \$944,520 less than in the final budget. The variance in the expenditures and other financing uses is the result of the City's conservative budgeting. Budgeted revenues and other financing sources did not change from the original to the final budget. Budgeted expenditures and other financing uses increased \$52,708 from the original to the final budget.

**Using this Annual Financial Report**

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

The statement of net position and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**Reporting the City as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net position and statement of activities can be found on pages 19-21 of this report.

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

***Fund Financial Statements***

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's only major governmental funds are the general fund and the voted income tax fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23 and 25 of this report.

***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 28 - 31 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 32 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-70 of this report.

***Government-Wide Financial Analysis***

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2012 and December 31, 2011. Certain amounts at December 31, 2011 have been reclassified in the governmental activities to conform to current year presentation.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>						
Current and other assets	\$14,567,388	\$14,675,500	\$15,877,631	\$16,409,854	\$30,445,019	\$31,085,354
Capital assets, net	18,999,996	19,353,439	29,445,130	29,045,464	48,445,126	48,398,903
Total assets	33,567,384	34,028,939	45,322,761	45,455,318	78,890,145	79,484,257
<b>Liabilities:</b>						
Other liabilities	417,776	300,993	1,963,888	2,210,155	2,381,664	2,511,148
Long-term liabilities	455,445	518,836	17,360,180	17,716,419	17,815,625	18,235,255
Total liabilities	873,221	819,829	19,324,068	19,926,574	20,197,289	20,746,403
Deferred inflows of resources	366,344	364,716			366,344	364,716
<b>Net Position:</b>						
Net investment in capital assets	18,969,996	19,258,439	18,022,697	17,380,939	36,992,693	36,639,378
Restricted	7,184,475	6,923,890			7,184,475	6,923,890
Unrestricted	6,173,348	6,662,065	7,975,996	8,147,805	14,149,344	14,809,870
Total net position	\$32,327,819	\$32,844,394	\$25,998,693	\$25,528,744	\$58,326,512	\$58,373,138

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets exceeded liabilities and deferred inflows of resources by \$58,326,512. At year end, net position was \$32,327,819 and \$25,998,693 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year end, capital assets represented 61.41% of total assets. Capital assets include land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, infrastructure and total \$18,999,996 and \$29,445,130 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2012, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$7,184,475 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$6,173,348 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

The table below shows the changes in net position for 2012 and 2011.

	<b>Changes in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services and sales	\$ 801,473	\$ 808,723	\$20,215,515	\$19,461,237	\$21,016,988	\$20,269,960
Operating grants and contributions	426,040	375,910			426,040	375,910
Capital grants and contributions	128,210	171,010	330,000		458,210	171,010
Total program revenues	<u>1,355,723</u>	<u>1,355,643</u>	<u>20,545,515</u>	<u>19,461,237</u>	<u>21,901,238</u>	<u>20,816,880</u>
<b>General revenues:</b>						
Property taxes	1,289,576	1,181,448			1,289,576	1,181,448
Income taxes	4,019,461	3,613,613			4,019,461	3,613,613
Unrestricted grants	445,232	587,276	5,831	5,105	451,063	592,381
Interest	58,166	72,902	27,115	31,676	85,281	104,578
Miscellaneous	75,880	161,341	229,627	283,812	305,507	445,153
Total general revenues	<u>5,888,315</u>	<u>5,616,580</u>	<u>262,573</u>	<u>320,593</u>	<u>6,150,888</u>	<u>5,937,173</u>
Total revenues	<u>7,244,038</u>	<u>6,972,223</u>	<u>20,808,088</u>	<u>19,781,830</u>	<u>28,052,126</u>	<u>26,754,053</u>
<b>Expenses:</b>						
General government	993,965	949,828			993,965	949,828
Security of persons and property	3,382,546	3,355,764			3,382,546	3,355,764
Public health and welfare	34,235	68,647			34,235	68,647
Transportation	1,986,915	1,960,452			1,986,915	1,960,452
Community environment	77,644	134,817			77,644	134,817
Leisure time activity	400,517	394,902			400,517	394,902
Interest and fiscal charges	12,125	14,350			12,125	14,350
Water			1,369,045	1,454,695	1,369,045	1,454,695
Sewer			2,059,632	2,359,637	2,059,632	2,359,637
Electric			17,001,025	18,990,040	17,001,025	18,990,040
Refuse			781,103	709,837	781,103	709,837
Total expenses	<u>6,887,947</u>	<u>6,878,760</u>	<u>21,210,805</u>	<u>23,514,209</u>	<u>28,098,752</u>	<u>30,392,969</u>
Increase (decrease) in net position						
before transfers	356,091	93,463	(402,717)	(3,732,379)	(46,626)	(3,638,916)
Transfers	<u>(872,666)</u>	<u>(815,751)</u>	<u>872,666</u>	<u>815,751</u>		
Change in net position	(516,575)	(722,288)	469,949	(2,916,628)	(46,626)	(3,638,916)
Net position at beginning of year	<u>32,844,394</u>	<u>33,566,682</u>	<u>25,528,744</u>	<u>28,445,372</u>	<u>58,373,138</u>	<u>62,012,054</u>
Net position at end of year	<u>\$32,327,819</u>	<u>\$32,844,394</u>	<u>\$25,998,693</u>	<u>\$25,528,744</u>	<u>\$58,326,512</u>	<u>\$58,373,138</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Governmental Activities**

Governmental activities net position decreased \$516,575 in 2012. While an increase in revenues of \$271,815, mainly due to the improved performance of income taxes during 2012, offset a slight increase in expenses, the net position of the governmental activities decreased due to transfers to the business-type activities amounting to \$872,666.

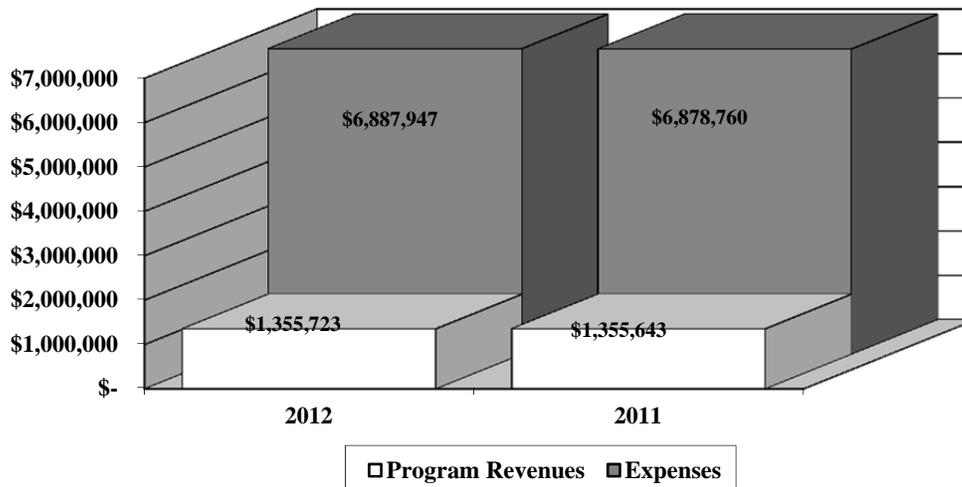
Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$3,382,546 of the total expenses of the City. These expenses were partially funded by \$448,367 in direct charges to users of the services and \$11,666 in operating grants and contributions. Transportation expenses totaled \$1,986,915 and were partially funded by \$79,338 in direct charges to users of the services, \$351,834 in operating grants and contributions and \$128,210 in capital grants and contributions.

The State and Federal government contributed to the City a total of \$426,040 in operating grants and contributions and \$128,210 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$351,834 subsidized transportation programs, \$62,540 subsidized community environment expenses, and \$11,666 subsidized security of persons and property programs. The entire amount of capital grants and contributions of \$128,210 subsidized transportation programs.

General revenues of the governmental activities totaled \$5,888,315 or 81.28% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,309,037. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$445,232 or 7.56% of general revenues of the governmental activities.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The graph below illustrates the City's dependence upon general revenues as program revenues are not sufficient to cover total governmental expenses.

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



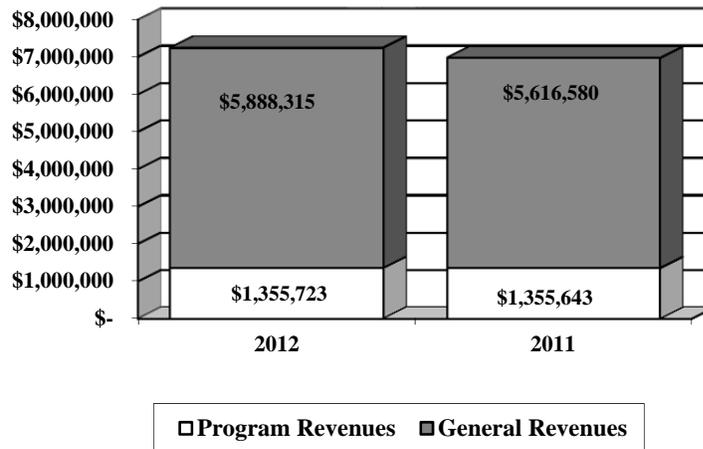
**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

<b>Governmental Activities</b>				
	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>
<b>Program expenses:</b>				
General government	\$ 993,965	\$ 843,890	\$ 949,828	\$ 777,165
Security of persons and property	3,382,546	2,922,513	3,355,764	2,926,564
Public health and welfare	34,235	29,871	68,647	59,101
Transportation	1,986,915	1,427,533	1,960,452	1,360,645
Community environment	77,644	12,484	134,817	106,541
Leisure time activity	400,517	283,808	394,902	278,751
Interest and fiscal charges	12,125	12,125	14,350	14,350
<b>Total expenses</b>	<b>\$6,887,947</b>	<b>\$5,532,224</b>	<b>\$6,878,760</b>	<b>\$5,523,117</b>

The dependence upon general revenues for governmental activities is apparent, with 80.32% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2012 and 2011:

**Governmental Activities - General and Program Revenues**



**Business-type Activities**

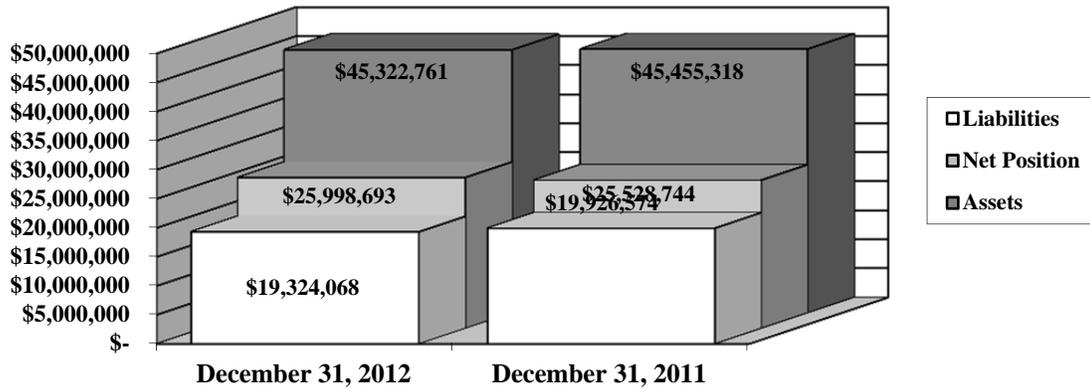
Business-type activities include the water, sewer, electric and refuse enterprise funds. These programs had program revenues of \$20,545,515, general revenues of \$262,573, transfers in of \$872,666, and expenses of \$21,210,805 for 2012. During 2012, the business-type activities experienced an increase in charges for services revenue in the amount of \$754,278 or 3.88% primarily due to an increase in electric fund revenues. The City received capital contributions in the sewer fund in the amount of \$330,000 related to an Ohio Public Works Commission (OPWC) capital asset project occurring during 2012. Overall business-type activities expenses decreased during 2012 mainly due to the upfront recognition of expenses related to the AMP-Ohio stranded cost payable liability during the prior year in the electric fund.

The graph below illustrates the assets, liabilities, and net position of the City's business-type activities at December 31, 2012 and December 31, 2011.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Net Position in Business-type Activities**



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

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds, as presented on the balance sheet on page 22, reported a combined fund balance of \$12,803,959 which is \$175,207 lower than last year's total of \$12,979,166. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 and December 31, 2011 for all major and non-major governmental funds.

	<b>Fund Balances 12/31/12</b>	<b>Fund Balances 12/31/11</b>	<b>Increase/ (Decrease)</b>
<b>Major funds:</b>			
General	\$ 3,532,206	\$ 4,031,336	(\$499,130)
Voted income tax	3,316,526	3,012,343	304,183
Non-major governmental funds	5,955,227	5,935,487	19,740
<b>Total</b>	<b>\$12,803,959</b>	<b>\$12,979,166</b>	<b>(\$175,207)</b>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

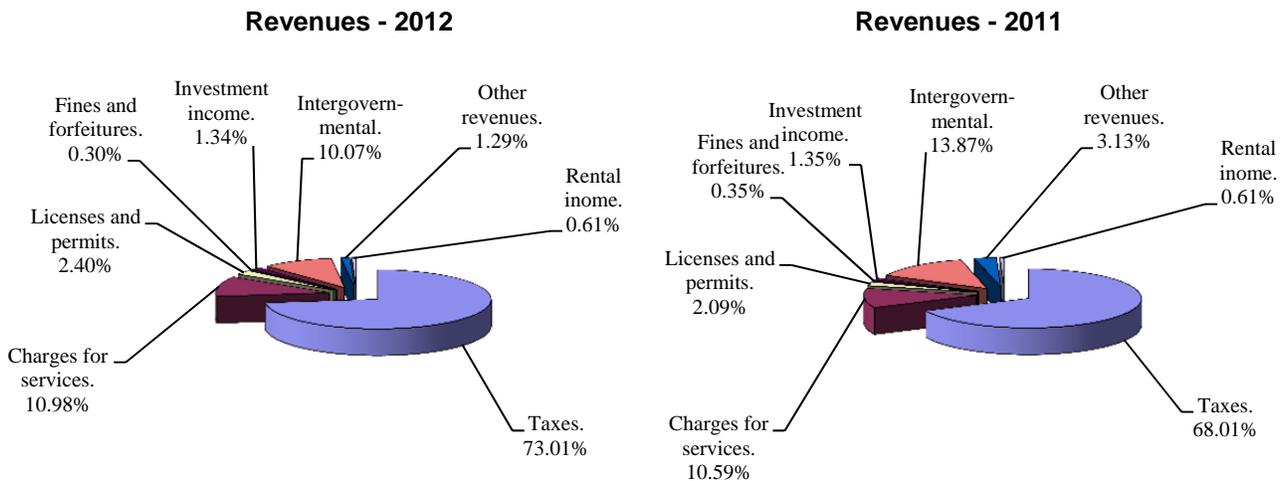
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**General Fund**

The City's general fund balance decreased \$499,130. The table that follows assists in illustrating the revenues of the general fund.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>	
<b>Revenues:</b>				
Taxes	\$3,258,956	\$3,023,823	7.78	%
Charges for services	489,920	470,649	4.09	%
Licenses and permits	107,067	92,787	15.39	%
Fines and forfeitures	13,464	15,568	(13.51)	%
Intergovernmental	449,605	616,857	(27.11)	%
Investment income	59,749	60,046	(0.49)	%
Rental income	27,234	27,264	(0.11)	%
Other	57,436	139,125	(58.72)	%
<b>Total</b>	<u>\$4,463,431</u>	<u>\$4,446,119</u>	<u>0.39</u>	<u>%</u>

Overall, revenues of the general fund increased \$17,312 or 0.39%. Tax revenue increased \$235,133 or 7.78% due to a 6.54% increase in income taxes earned during the year and available as of December 31, 2012 and a 9.89% increase in property tax revenue recognized by the general fund. Intergovernmental revenue decreased \$167,252 or 27.11% due to a decline in the City's local government funds allocation. Fines and forfeitures revenues decreased 13.51% due to lower municipal court charges assessed during the year.



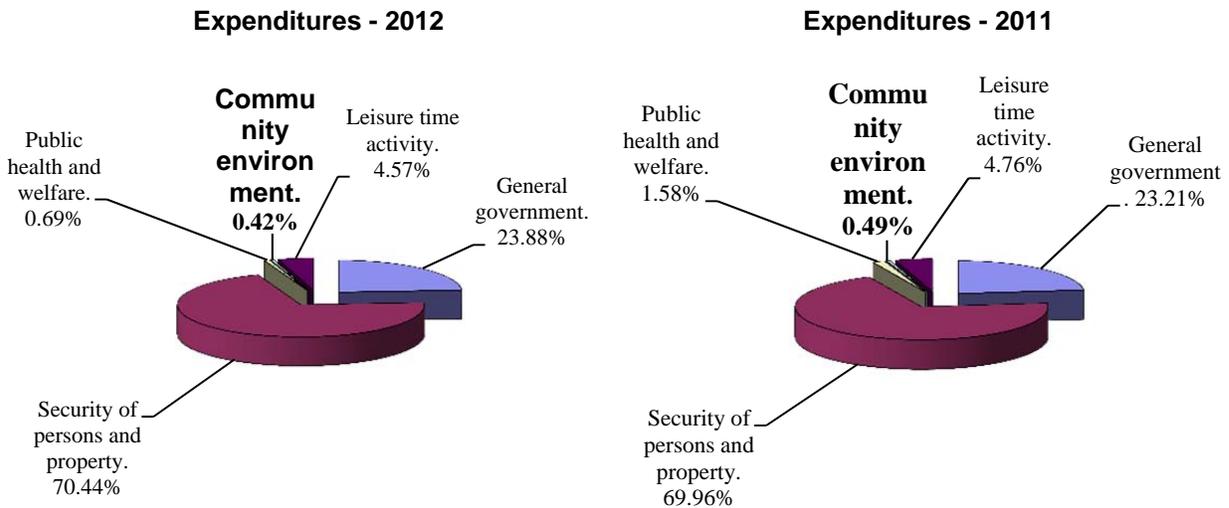
**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

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

	<b>2012 Amount</b>	<b>2011 Amount</b>	<b>Percent Change</b>
<b>Expenditures:</b>			
General government	\$ 901,697	\$ 856,820	5.24 %
Security of persons and property	2,659,987	2,582,759	2.99 %
Public health and welfare	26,221	58,270	(55.00) %
Community environment	15,742	18,247	(13.73) %
Leisure time activity	172,489	175,915	(1.95) %
<b>Total</b>	<b><u>\$3,776,136</u></b>	<b><u>\$3,692,011</u></b>	<b><u>2.28</u> %</b>

Overall, expenditures of the general fund increased \$84,125 or 2.28%. General government expenditures increased \$44,877 or 5.24% due to higher costs for general City operations, including the development, civil service, income tax and auditor's offices. Public health and welfare expenditures decreased by \$32,049 due to lower salaries and wages for the City health department. Security of persons and property, community environment, and leisure time activity expenditures remained consistent with 2011.



***Voted Income Tax Fund***

The voted income tax fund had revenues of \$1,250,757 in 2012. The expenditures of the voted income tax fund totaled \$946,574 in 2012. The net increase in fund balance for the voted income tax fund was \$304,183 or 10.10%.

***Budgeting Highlights - General Fund***

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources were \$909,337 higher than in the final budget and actual expenditures and other financing uses were \$944,520 lower than the final budget. The variance in the expenditures and other financing uses is the result of the City's conservative budgeting. Budgeted revenues and other financing sources did not change from the original to the final budget. Budgeted expenditures and other financing uses increased \$52,708 from the original to the final budget.

***Proprietary Funds***

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

***Water Fund***

The water fund had operating revenues of \$1,136,670 in 2012. The operating expenses of the water fund totaled \$1,367,899 in 2012. The water fund had non-operating revenues of \$1,711 in 2012. The decrease in net position for the water fund was \$229,518 or 4.00%.

***Sewer Fund***

The sewer fund had operating revenues of \$1,974,064 in 2012. The operating expenses of the sewer fund totaled \$1,706,803 in 2012. The sewer fund had nonoperating revenues of \$3,899 and nonoperating expenses of \$351,654 in 2012, and received capital contributions amounting to \$330,000. The increase in net position for the sewer fund was \$249,506 or 3.31%.

***Electric Fund***

The electric fund had operating revenues of \$16,464,142 in 2012. The operating expenses of the electric fund totaled \$16,850,053 in 2012. The electric fund had non-operating revenues of \$26,011 and non-operating expenses of \$149,367 in 2012. The electric fund also received transfers in of \$872,666. The increase in net position for the electric fund was \$363,399 or 3.19%.

***Refuse Fund***

The refuse fund had operating revenues of \$870,266 in 2012. The operating expenses of the refuse fund totaled \$778,191 in 2012. The refuse fund had non-operating revenues of \$1,325 in 2012. The increase in net position for the refuse fund was \$93,400 or 10.71%.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

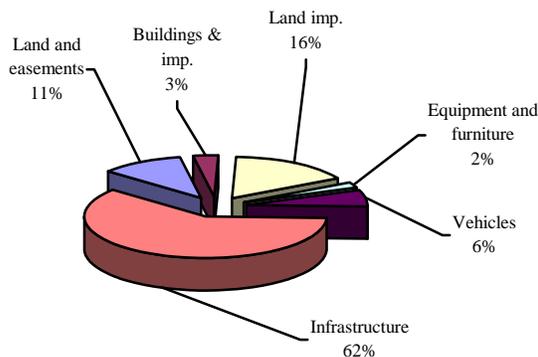
**Capital Assets**

At the end of 2012, the City had \$48,445,126 (net of accumulated depreciation) invested in land, easements, construction in progress, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure. Of this total, \$18,999,996 was reported in governmental activities and \$29,445,130 was reported in business-type activities. The following table shows December 31, 2012 balances compared to December 31, 2011:

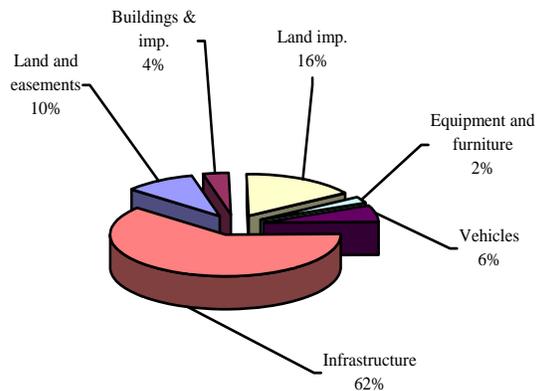
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and easements	\$ 2,089,694	\$ 1,919,240	\$ 1,221,910	\$ 1,221,910	\$ 3,311,604	\$ 3,141,150
Construction in progress			2,120,018	392,321	2,120,018	392,321
Land improvements	3,123,889	3,151,638	2,178,710	2,369,495	5,302,599	5,521,133
Buildings and improvements	661,938	706,969	11,177,671	11,714,146	11,839,609	12,421,115
Equipment and furniture	427,545	436,135	1,633,886	1,813,704	2,061,431	2,249,839
Vehicles	1,187,186	1,244,048	709,982	852,894	1,897,168	2,096,942
Infrastructure	11,509,744	11,895,409	10,402,953	10,680,994	21,912,697	22,576,403
<b>Total</b>	<b>\$18,999,996</b>	<b>\$19,353,439</b>	<b>\$29,445,130</b>	<b>\$29,045,464</b>	<b>\$48,445,126</b>	<b>\$48,398,903</b>

The following graphs show the breakdown of governmental capital assets by category at December 31, 2012 and December 31, 2011.

**Capital Assets - Governmental Activities  
2012**



**Capital Assets - Governmental Activities  
2011**



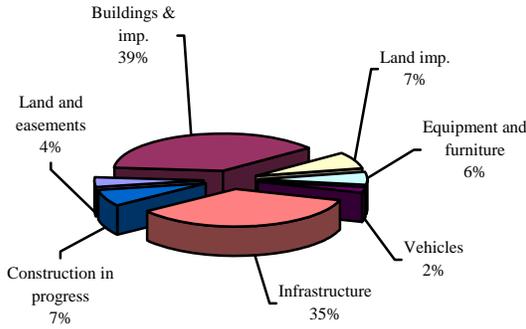
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 61% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category at December 31, 2012 and December 31, 2011.

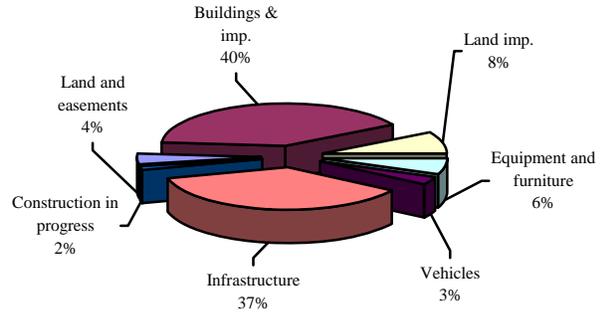
**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Capital Assets - Business-type Activities  
2012**



**Capital Assets - Business-type Activities  
2011**



The City's largest business-type capital asset categories are buildings and improvements and infrastructure. The buildings and improvements asset category represents approximately 38% of the City's total business-type capital assets. Infrastructure items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 35% of the City's total business-type capital assets. Additional information on the City's capital assets can be found in Note 11.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2012 and December 31, 2011.

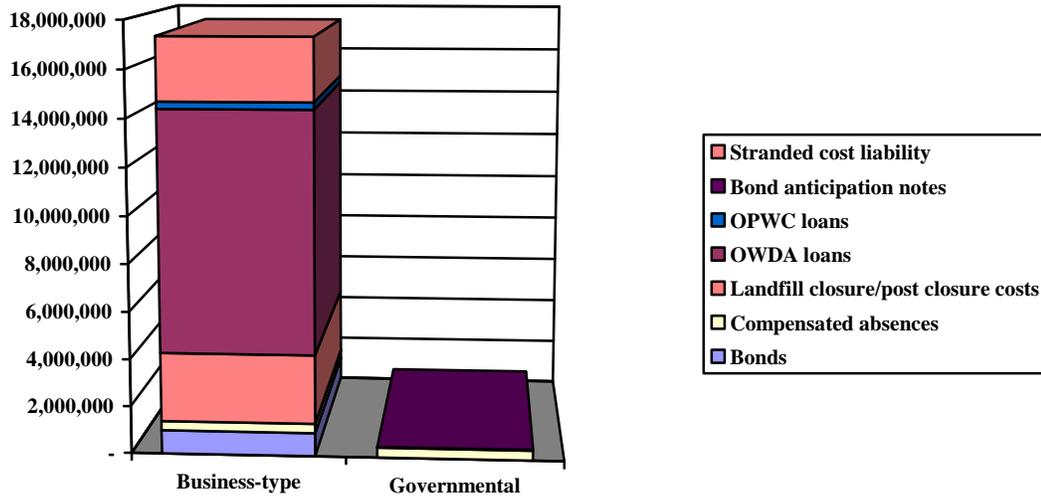
	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Bond anticipation notes	\$ 30,000	\$ 95,000
Compensated absences	425,445	423,836
Total long-term obligations	<u>455,445</u>	<u>518,836</u>
	<b>Business-type Activities</b>	
General obligation bonds	\$ 991,949	\$ 1,090,535
Total bonds	<u>991,949</u>	<u>1,090,535</u>
Compensated absences	389,253	414,973
Stranded cost liability	2,651,376	2,664,281
OWDA loans	10,137,984	10,573,990
OPWC loans	292,500	
Landfill closure/post-closure costs	<u>2,897,118</u>	<u>2,972,640</u>
Total long-term obligations	<u>\$17,360,180</u>	<u>\$17,716,419</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

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

**Long-term Obligations**



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

**Economic Conditions and Outlook**

Veyance Technologies, Inc., formerly the Goodyear Tire & Rubber Company, continues to maintain its manufacturing operations in the City and employs approximately 350 locally. Veyance has managed to keep the local Engineered Products Plant competitive and responsive to global market changes over the past several years. The primary product of the plant is rubber tracks and wheels for agricultural equipment. The company also makes industrial conveyor belts and rubber tank treads for use on U.S. Army battle tanks. The local Veyance plant has made major capital investments in machinery and equipment over the past several years and due to the growing agricultural business expects to invest in additional machinery and equipment. During 2012, Veyance initiated the extension of a high-pressure gas line to the facility in order to convert its furnaces to natural gas which should be more efficient and cost-effective in the long-term. However, this project requires a significant initial investment from Veyance.

The industrial base in the City has been greatly diversified over the past 25 years primarily due to the success of several Japanese companies that started production in the City during the late 1980's.

Setex was the first Japanese company to call the City its home when it started the production of automobile seats for Honda in 1988. Over the past 20 years, Setex has experienced significant growth with employment levels increasing from the initial 65 employees to the current 415 employees. Setex also increased production capacity significantly by first doubling the size of their initial plant and later constructing a new weld facility for the production of seat frames for a variety of automobiles. Setex currently produces about 7,000 frames per day. In 2012, Setex celebrated the manufacture of its 5 millionth seat. Setex continues to manage multiple lines and acquired a new line for Honda that will begin production later in 2013. Construction will be complete in 2013 on a 40,000 square foot building expansion to accommodate the new line, and the company expects to create up to 80 new jobs through 2014.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

AAP St. Marys Corporation, a division of Hitachi Metals America Ltd., established their aluminum wheel casting plant in the City in 1989. AAP St. Marys has also experienced tremendous growth with employment levels increasing from the initial 65 employees to the current 565 employees. Current employee totals include 150+ new employees hired since October 2011. With product demand back to pre-recession levels, AAP St. Marys is projecting continued growth through 2014. AAP St. Marys is key to the stability of the industrial base in the City.

The City has several other manufacturing facilities that add stability to the local economy. Parker Hannifin Corporation, a manufacturer of hydraulic cylinder components, employs approximately 134 employees and expects minimal but positive job growth through 2013. The company constructed its St. Marys plant in 2000 and has additional acreage on site for new growth. Omni Manufacturing, Inc., a metal tooling and stamping plant, has enjoyed steady growth with an employment level near 130. Murotech Ohio (MTO) has steadily grown over the past several years and now employs 72. The company has regularly expanded its operations and continues to plan for future investment in equipment and job creation. In addition, the St. Marys Foundry, Pro-Pet, Classic Delight, and others combine to offer diverse manufacturing jobs for families in the St. Marys area.

The Joint Township District Memorial Hospital remains the top non-manufacturing sector employer with over 800 employees. The hospital is considered a top health care facility in the United States and continues to improve services and upgrade the facility, recently opening a new wound care center, a new vein center, a new sleep center, and completing renovations for an on-site laboratory.

Retail growth was very strong in St. Marys in the recent past with the opening of a new 64,322 square foot Kohl's store, creating approximately 130 jobs in the City. The restaurant industry grew as well with the location of three family/casual dining restaurants in the City creating over 185 service sector jobs. Plans are underway to add a 30,000 square foot retail store near Kohl's, and to add approximately 11,000 square feet of multi-tenant retail space.

The diversity of the manufacturing, retail, and service sectors bode well for the economy of the City. If there is an occasional downturn in one individual industry, the City's diverse employment opportunities should be strong enough to withstand any economic challenges that occur.

**For the Future**

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

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

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

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

From the early canal days and into the 21st century, industry has found a home in the City. Businesses have been retained, with many undergoing expansions. The cooperative attitude between business and government has also resulted in many new industrial additions to the community over the past 16 years.

**Contacting the City's Financial Management**

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments	\$11,328,613	\$12,157,523	\$23,486,136
Cash in segregated accounts	1,908		1,908
<b>Receivables (net of allowance for uncollectibles):</b>			
Income taxes	685,900		685,900
Real and other taxes	379,431	64,475	443,906
Accounts	57,384	1,799,272	1,856,656
Special assessments	270,466	1,187	271,653
Loans	1,330,156		1,330,156
Notes	136,312		136,312
Accrued interest	11,646		11,646
Internal balance	(123,387)	123,387	
Due from other governments	309,951	6,129	316,080
Prepayments	55,585	92,340	147,925
Materials and supplies inventory	72,582	492,027	564,609
Investment in joint venture		781,117	781,117
<b>Restricted assets:</b>			
Refundable cash deposits		360,174	360,174
Cash with fiscal agent	50,841		50,841
<b>Capital assets:</b>			
Non-depreciable capital assets	2,089,694	3,341,928	5,431,622
Depreciable capital assets, net	<u>16,910,302</u>	<u>26,103,202</u>	<u>43,013,504</u>
Total capital assets, net	<u>18,999,996</u>	<u>29,445,130</u>	<u>48,445,126</u>
<b>Total assets</b>	<u>33,567,384</u>	<u>45,322,761</u>	<u>78,890,145</u>
<b>Liabilities:</b>			
Accounts payable	46,020	1,194,831	1,240,851
Contracts payable	97,760	230,065	327,825
Retainage payable		42,945	42,945
Accrued wages and benefits	85,373	46,375	131,748
Due to other governments	184,902	89,498	274,400
Judgments payable	3,500		3,500
Accrued interest payable	221		221
<b>Payable from restricted assets:</b>			
Refundable cash deposits		360,174	360,174
<b>Long-term liabilities:</b>			
Due within one year	121,988	864,660	986,648
Due in more than one year	<u>333,457</u>	<u>16,495,520</u>	<u>16,828,977</u>
<b>Total liabilities</b>	<u>873,221</u>	<u>19,324,068</u>	<u>20,197,289</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year	<u>366,344</u>		<u>366,344</u>
<b>Total deferred inflows of resources</b>	<u>366,344</u>		<u>366,344</u>
<b>Net position:</b>			
Net investment in capital assets	18,969,996	18,022,697	36,992,693
<b>Restricted for:</b>			
Capital projects	3,654,836		3,654,836
Debt service	22,287		22,287
Transportation projects	1,384,922		1,384,922
Community improvements	2,101,833		2,101,833
Other purposes	20,597		20,597
Unrestricted	<u>6,173,348</u>	<u>7,975,996</u>	<u>14,149,344</u>
<b>Total net position</b>	<u>\$32,327,819</u>	<u>\$25,998,693</u>	<u>\$58,326,512</u>

*See Accompanying Notes to the Basic Financial Statements*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$993,965	\$150,075		
Security of persons and property	3,382,546	448,367	\$11,666	
Public health and welfare	34,235	4,364		
Transportation	1,986,915	79,338	351,834	\$128,210
Community environment	77,644	2,620	62,540	
Leisure time activity	400,517	116,709		
Interest and fiscal charges	12,125			
<b>Total governmental activities</b>	<b>6,887,947</b>	<b>801,473</b>	<b>426,040</b>	<b>128,210</b>
<b>Business-type activities:</b>				
Water	1,369,045	1,099,617		
Sewer	2,059,632	1,956,024		330,000
Electric	17,001,025	16,329,764		
Refuse	781,103	830,110		
<b>Total business-type activities</b>	<b>21,210,805</b>	<b>20,215,515</b>		<b>330,000</b>
<b>Total primary government</b>	<b>\$28,098,752</b>	<b>\$21,016,988</b>	<b>\$426,040</b>	<b>\$458,210</b>

**General revenues:**

**Property taxes levied for:**

General purposes

Special purposes

**Income taxes levied for:**

General purposes

Special purposes

Capital projects

Grants and entitlements not restricted  
to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

*See Accompanying Notes to the Basic Financial Statements.*

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
(\$843,890)		(\$843,890)
(2,922,513)		(2,922,513)
(29,871)		(29,871)
(1,427,533)		(1,427,533)
(12,484)		(12,484)
(283,808)		(283,808)
(12,125)		(12,125)
<u>(5,532,224)</u>		<u>(5,532,224)</u>
	(\$269,428)	(269,428)
	226,392	226,392
	(671,261)	(671,261)
	49,007	49,007
	<u>(665,290)</u>	<u>(665,290)</u>
<u>(5,532,224)</u>	<u>(665,290)</u>	<u>(6,197,514)</u>
1,222,730		1,222,730
66,846		66,846
2,063,336		2,063,336
443,979		443,979
1,512,146		1,512,146
445,232	5,831	451,063
58,166	27,115	85,281
75,880	229,627	305,507
<u>5,888,315</u>	<u>262,573</u>	<u>6,150,888</u>
<u>(872,666)</u>	<u>872,666</u>	
<u>5,015,649</u>	<u>1,135,239</u>	<u>6,150,888</u>
(516,575)	469,949	(46,626)
<u>32,844,394</u>	<u>25,528,744</u>	<u>58,373,138</u>
<u>\$32,327,819</u>	<u>\$25,998,693</u>	<u>\$58,326,512</u>

**This page intentionally left blank.**

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<u>General</u>	<u>Voted Income Tax</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$3,316,062	\$3,308,005	\$4,663,638	\$11,287,705
Cash in segregated accounts	1,908			1,908
<b>Receivables:</b>				
Income taxes	329,232	228,611	128,057	685,900
Real and other taxes	300,331		79,100	379,431
Accounts	57,384			57,384
Special assessments			270,466	270,466
Loans			1,330,156	1,330,156
Notes			136,312	136,312
Accrued interest	11,646			11,646
Due from other funds	62,203			62,203
Due from other governments	117,800		192,151	309,951
Prepayments	48,435		7,150	55,585
Materials and supplies inventory	27,182		18,533	45,715
<b>Restricted assets:</b>				
Cash with fiscal agent			50,841	50,841
Total assets	<u>4,272,183</u>	<u>3,536,616</u>	<u>6,876,404</u>	<u>14,685,203</u>
<b>Liabilities:</b>				
Accounts payable	15,076		17,488	32,564
Contracts payable		93,562	4,198	97,760
Accrued wages and benefits payable	59,173	1,685	23,317	84,175
Interfund loans payable			197,940	197,940
Due to other governments	70,321	3,675	109,037	183,033
Judgments payable	3,500			3,500
Total liabilities	<u>148,070</u>	<u>98,922</u>	<u>351,980</u>	<u>598,972</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year	289,616		76,728	366,344
Income tax revenue not available	174,499	121,168	67,873	363,540
Delinquent property tax revenue not available	10,715		2,372	13,087
Accrued interest not available	11,646			11,646
Special assessments revenue not available			270,466	270,466
Intergovernmental revenue not available	93,803		151,758	245,561
Miscellaneous revenue not available	11,628			11,628
Total deferred inflows of resources	<u>591,907</u>	<u>121,168</u>	<u>569,197</u>	<u>1,282,272</u>
<b>Fund balances:</b>				
Non-spendable	78,269		25,683	103,952
Restricted		3,316,526	3,548,408	6,864,934
Committed			2,623,139	2,623,139
Assigned	2,058,298			2,058,298
Unassigned (deficit)	1,395,639		(242,003)	1,153,636
Total fund balances	<u>3,532,206</u>	<u>3,316,526</u>	<u>5,955,227</u>	<u>12,803,959</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$4,272,183</u>	<u>\$3,536,616</u>	<u>\$6,876,404</u>	<u>\$14,685,203</u>

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

Total governmental fund balances	\$12,803,959
----------------------------------	--------------

*Amounts reported for governmental activities on the statement of net position are different because:*

Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.	18,971,496
--	------------

Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.	
Income taxes receivable	\$363,540
Real and other taxes receivable	13,087
Accounts receivable	11,628
Special assessments receivable	270,466
Accrued interest receivable	11,646
Due from other governments	245,561
Total	915,928

The internal service funds are used by management to charge the costs of employee insurance and the maintenance garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position. The net position of the internal service funds, including an internal balance of (\$12,350), are:	
	75,126

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in internal service funds) are as follows:	
Bond anticipation notes payable	(30,000)
Compensated absences payable	(408,469)
Accrued interest payable	(221)
Total	(438,690)

Net position of governmental activities	\$32,327,819
---	--------------

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Voted Income Tax</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Income taxes	\$2,036,237	\$1,246,673	\$680,094	\$3,963,004
Real and other taxes	1,222,719		66,878	1,289,597
Charges for services	489,920		92,518	582,438
Licenses and permits	107,067			107,067
Fines and forfeitures	13,464		1,133	14,597
Intergovernmental	449,605		514,173	963,778
Special assessments			119,920	119,920
Investment income	59,749	345	34,433	94,527
Rental income	27,234			27,234
Contributions and donations	1,225		215	1,440
Other	56,211	3,739	14,761	74,711
Total revenues	<u>4,463,431</u>	<u>1,250,757</u>	<u>1,524,125</u>	<u>7,238,313</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	901,697			901,697
Security of persons and property	2,659,987		372,751	3,032,738
Public health and welfare	26,221			26,221
Transportation			870,170	870,170
Community environment	15,742		11,059	26,801
Leisure time activity	172,489		89,673	262,162
Capital outlay		946,574	404,509	1,351,083
<b>Debt service:</b>				
Principal retirement			95,000	95,000
Interest and fiscal charges			12,372	12,372
Total expenditures	<u>3,776,136</u>	<u>946,574</u>	<u>1,855,534</u>	<u>6,578,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>687,295</u>	<u>304,183</u>	<u>(331,409)</u>	<u>660,069</u>
<b>Other financing sources (uses):</b>				
Note issuance			30,000	30,000
Transfers in	9,682		321,152	330,834
Transfers out	(1,192,876)		(942)	(1,193,818)
Total other financing sources (uses)	<u>(1,183,194)</u>		<u>350,210</u>	<u>(832,984)</u>
Net change in fund balances	(495,899)	304,183	18,801	(172,915)
Fund balances at beginning of year	4,031,336	3,012,343	5,935,487	12,979,166
Increase (decrease) in reserve for inventory	(3,231)		939	(2,292)
Fund balances at end of year	<u>\$3,532,206</u>	<u>\$3,316,526</u>	<u>\$5,955,227</u>	<u>\$12,803,959</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Net change in fund balances - total governmental funds** (\$172,915)

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

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

Capital asset additions	\$1,146,775	
Current year depreciation	<u>(1,491,122)</u>	
Total		(344,347)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins and donations) is to decrease net position. (6,096)

Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed. (2,292)

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

Income taxes	56,457	
Real and other taxes	(21)	
Licenses, permits and fees	(9,201)	
Special assessments	(40,582)	
Intergovernmental	(27,064)	
Investment income	(3,608)	
Other	<u>(56)</u>	
Total		(24,075)

Proceeds of bond anticipation notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as an other financing source as they increase the liabilities on the statement of net position. (30,000)

In the statement of activities, interest is accrued on outstanding long-term liabilities, whereas in governmental funds, an interest expenditure is reported when due. 247

Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 95,000

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (4,518)

The internal service funds used by management to charge the costs of employee insurance and the maintenance garage to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balance activity of (\$6,838), is allocated among the governmental activities. (27,579)

Change in net position of governmental activities (\$516,575)

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes	\$1,633,581	\$1,633,581	\$2,047,336	\$413,755
Real and other taxes	925,983	925,983	1,160,516	234,533
Charges for services	392,183	392,183	491,516	99,333
Licenses, permits and fees	73,685	73,685	92,348	18,663
Fines and forfeitures	11,961	11,961	14,991	3,030
Intergovernmental	382,974	382,974	479,974	97,000
Investment income	44,289	44,289	55,507	11,218
Rental income	21,730	21,730	27,234	5,504
Contributions and donations	977	977	1,225	248
Other	95,133	95,133	119,229	24,096
Total revenues	<u>3,582,496</u>	<u>3,582,496</u>	<u>4,489,876</u>	<u>907,380</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,470,984	1,483,871	956,548	527,323
Security of persons and property	2,980,124	3,006,232	2,737,583	268,649
Public health and welfare	55,419	55,905	28,712	27,193
Community environment	26,825	27,060	16,426	10,634
Leisure time activity	214,408	216,286	192,355	23,931
Total expenditures	<u>4,747,760</u>	<u>4,789,354</u>	<u>3,931,624</u>	<u>857,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,165,264)</u>	<u>(1,206,858)</u>	<u>558,252</u>	<u>1,765,110</u>
<b>Other financing sources (uses):</b>				
Transfers in	7,725	7,725	9,682	1,957
Transfers out	(1,268,552)	(1,279,666)	(1,192,876)	86,790
Total other financing sources (uses)	<u>(1,260,827)</u>	<u>(1,271,941)</u>	<u>(1,183,194)</u>	<u>88,747</u>
Net change in fund balance	(2,426,091)	(2,478,799)	(624,942)	1,853,857
Fund balance at beginning of year	3,566,526	3,566,526	3,566,526	
Prior year encumbrances appropriated	177,615	177,615	177,615	
Fund balance at end of year	<u>\$1,318,050</u>	<u>\$1,265,342</u>	<u>\$3,119,199</u>	<u>\$1,853,857</u>

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Refuse</b>	<b>Total</b>	
<b>Assets:</b>						
<b>Current assets:</b>						
Equity in pooled cash and investments	\$911,690	\$1,703,943	\$7,321,670	\$2,220,220	\$12,157,523	\$40,908
<b>Receivables:</b>						
Real and other taxes			64,475		64,475	
Accounts	95,461	177,585	1,452,495	73,731	1,799,272	
Special assessments	330	857			1,187	
Interfund loans			197,940		197,940	
Due from other governments				6,129	6,129	
Prepayments	11,399	10,871	64,754	5,316	92,340	
Materials and supplies inventory	157,373	48,210	276,366	10,078	492,027	26,867
Total current assets	<u>1,176,253</u>	<u>1,941,466</u>	<u>9,377,700</u>	<u>2,315,474</u>	<u>14,810,893</u>	<u>67,775</u>
<b>Non-current assets:</b>						
<b>Restricted assets:</b>						
Refundable cash deposits			360,174		360,174	
Investment in joint venture			781,117		781,117	
<b>Capital assets:</b>						
Non-depreciable capital assets	232,462	1,753,973	1,051,798	303,695	3,341,928	
Depreciable capital assets, net	4,281,882	14,680,143	5,844,840	1,296,337	26,103,202	28,500
Total capital assets, net	<u>4,514,344</u>	<u>16,434,116</u>	<u>6,896,638</u>	<u>1,600,032</u>	<u>29,445,130</u>	<u>28,500</u>
Total non-current assets	<u>4,514,344</u>	<u>16,434,116</u>	<u>8,037,929</u>	<u>1,600,032</u>	<u>30,586,421</u>	<u>28,500</u>
Total assets	<u>5,690,597</u>	<u>18,375,582</u>	<u>17,415,629</u>	<u>3,915,506</u>	<u>45,397,314</u>	<u>96,275</u>
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	3,788		1,183,437	7,606	1,194,831	13,456
Contracts payable	43,348	51,253	135,464		230,065	
Retainage payable		12,453	30,492		42,945	
Accrued wages and benefits	11,538	9,699	19,949	5,189	46,375	1,198
Compensated absences payable	19,884	17,424	50,036	7,812	95,156	16,976
Due to other funds			62,203		62,203	
Due to other governments	30,408	15,000	38,550	5,540	89,498	1,869
Current portion of general obligation bonds			103,725		103,725	
Current portion of OWDA loans payable		450,779			450,779	
Current portion of OPWC loans payable		15,000			15,000	
Current portion of AMP-Ohio stranded cost payable			200,000		200,000	
<b>Payable from restricted assets:</b>						
Refundable cash deposits			360,174		360,174	
Total current liabilities	<u>108,966</u>	<u>571,608</u>	<u>2,184,030</u>	<u>26,147</u>	<u>2,890,751</u>	<u>33,499</u>
<b>Long-term liabilities:</b>						
Compensated absences payable	76,995	61,476	128,622	27,004	294,097	
OWDA loans payable		9,687,205			9,687,205	
General obligation bonds payable			888,224		888,224	
OPWC loans payable		277,500			277,500	
AMP-Ohio stranded cost payable			2,451,376		2,451,376	
Landfill closure/postclosure liability				2,897,118	2,897,118	
Total long-term liabilities	<u>76,995</u>	<u>10,026,181</u>	<u>3,468,222</u>	<u>2,924,122</u>	<u>16,495,520</u>	
Total liabilities	<u>185,961</u>	<u>10,597,789</u>	<u>5,652,252</u>	<u>2,950,269</u>	<u>19,386,271</u>	<u>33,499</u>
<b>Net position:</b>						
Net investment in capital assets	4,514,344	6,003,632	5,904,689	1,600,032	18,022,697	28,500
Unrestricted (deficit)	990,292	1,774,161	5,858,688	(634,795)	7,988,346	34,276
Total net position	<u>\$5,504,636</u>	<u>\$7,777,793</u>	<u>\$11,763,377</u>	<u>\$965,237</u>	<u>26,011,043</u>	<u>\$62,776</u>
Adjustment to reflect the consolidation of the internal service funds' activities related to enterprise funds.					(12,350)	
Net position of business-type activities.					<u>\$25,998,693</u>	

See Accompanying Notes to the Basic Financial Statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Refuse</u>	<u>Total</u>	
<b>Operating revenues:</b>						
Charges for services	\$1,097,690	\$1,953,624	\$16,329,764	\$830,110	\$20,211,188	\$410,912
Tap-in fees	1,927	2,400			4,327	
Rental income	35,800		17,952	11,325	65,077	
Other	1,253	18,040	116,426	28,831	164,550	828
Total operating revenues	<u>1,136,670</u>	<u>1,974,064</u>	<u>16,464,142</u>	<u>870,266</u>	<u>20,445,142</u>	<u>411,740</u>
<b>Operating expenses:</b>						
Personal services	748,609	605,963	1,207,537	377,834	2,939,943	73,228
Contractual services	161,753	328,340	604,758	250,985	1,345,836	1,034
Materials and supplies	206,790	39,580	14,392,357	25,023	14,663,750	359,213
Depreciation	250,694	732,855	638,020	124,328	1,745,897	3,000
Other	53	65	7,381	21	7,520	
Total operating expenses	<u>1,367,899</u>	<u>1,706,803</u>	<u>16,850,053</u>	<u>778,191</u>	<u>20,702,946</u>	<u>436,475</u>
Operating income (loss)	<u>(231,229)</u>	<u>267,261</u>	<u>(385,911)</u>	<u>92,075</u>	<u>(257,804)</u>	<u>(24,735)</u>
<b>Non-operating revenues (expenses):</b>						
Interest and fiscal charges		(351,654)	(53,574)		(405,228)	
Interest income	1,711	3,899	20,180	1,325	27,115	
Decrease in investment in joint venture			(89,962)		(89,962)	
Other local tax revenue			5,831		5,831	
Excise tax expense			(5,831)		(5,831)	
Total non-operating revenues (expenses)	<u>1,711</u>	<u>(347,755)</u>	<u>(123,356)</u>	<u>1,325</u>	<u>(468,075)</u>	
Net income (loss) before transfers and capital contributions	<u>(229,518)</u>	<u>(80,494)</u>	<u>(509,267)</u>	<u>93,400</u>	<u>(725,879)</u>	<u>(24,735)</u>
Transfers in			872,666		872,666	
Transfers out						(9,682)
Capital contributions		<u>330,000</u>			<u>330,000</u>	
Change in net position	<u>(229,518)</u>	<u>249,506</u>	<u>363,399</u>	<u>93,400</u>	<u>476,787</u>	<u>(34,417)</u>
Net position at beginning of year	<u>5,734,154</u>	<u>7,528,287</u>	<u>11,399,978</u>	<u>871,837</u>		<u>97,193</u>
Net position at end of year	<u>\$5,504,636</u>	<u>\$7,777,793</u>	<u>\$11,763,377</u>	<u>\$965,237</u>		<u>\$62,776</u>
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.					<u>(6,838)</u>	
Change in net position of business-type activities.					<u>\$469,949</u>	

See Accompanying Notes to the Basic Financial Statements

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Business-type Activities - Enterprise Funds</u>					<b>Governmental Activities - Internal Service Funds</b>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Refuse</u>	<u>Total</u>	
<b>Cash flows from operating activities:</b>						
Cash received from charges for services	\$1,106,074	\$1,957,643	\$16,441,786	\$828,425	\$20,333,928	\$410,912
Cash received from tap-in fees	1,927	2,400			4,327	
Cash received from rental charges	35,800		17,952	12,925	66,677	
Cash received from other operations	479	17,224	201,915	29,981	249,599	828
Cash payments for personal services	(740,621)	(599,165)	(1,223,855)	(371,001)	(2,934,642)	(67,269)
Cash payments for contract services	(168,142)	(348,784)	(591,637)	(327,165)	(1,435,728)	(1,034)
Cash payments for materials and supplies	(214,811)	(40,121)	(14,492,157)	(21,722)	(14,768,811)	(341,972)
Cash payments for other operations	(53)	(65)	(85,203)	(21)	(85,342)	
Net cash provided by operating activities	<u>20,653</u>	<u>989,132</u>	<u>268,801</u>	<u>151,422</u>	<u>1,430,008</u>	<u>1,465</u>
<b>Cash flows from noncapital financing activities:</b>						
Cash received from transfers in			872,666		872,666	
Cash payments for transfers out						(9,682)
Cash received from the repayment of interfund loans			75,540		75,540	
Cash payments for new interfund loans			(59,000)		(59,000)	
Cash received from other local taxes			5,831		5,831	
Cash payments for excise tax expense			(5,831)		(5,831)	
Net cash provided by (used in) non-capital financing activities:			<u>889,206</u>		<u>889,206</u>	<u>(9,682)</u>
<b>Cash flows from capital and related financing activities:</b>						
Cash payments for the acquisition of capital assets	(41,294)	(1,371,735)	(981,547)		(2,394,576)	
Cash received from loans issued		300,000			300,000	
Cash received from capital contributions		330,000			330,000	
Cash payments for principal retirement		(443,506)	(98,586)		(542,092)	
Cash payments for interest and fiscal charges		(351,654)	(53,574)		(405,228)	
Net cash used in capital and related financing activities	<u>(41,294)</u>	<u>(1,536,895)</u>	<u>(1,133,707)</u>		<u>(2,711,896)</u>	
<b>Cash flows from investing activities:</b>						
Cash received from interest earned	1,711	3,899	20,180	1,325	27,115	
Net cash provided by investing activities	<u>1,711</u>	<u>3,899</u>	<u>20,180</u>	<u>1,325</u>	<u>27,115</u>	
Net increase (decrease) in cash and investments	(18,930)	(543,864)	44,480	152,747	(365,567)	(8,217)
Cash and investments at beginning of year	930,620	2,247,807	7,637,364	2,067,473	12,883,264	49,125
Cash and investments at end of year	<u>911,690</u>	<u>1,703,943</u>	<u>7,681,844</u>	<u>2,220,220</u>	<u>12,517,697</u>	<u>40,908</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	(231,229)	267,261	(385,911)	92,075	(257,804)	(24,735)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>						
Depreciation	250,694	732,855	638,020	124,328	1,745,897	3,000

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Business-type Activities - Enterprise Funds</u>					<b>Governmental Activities - Internal Service Funds</b>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Refuse</u>	<u>Total</u>	
<b>Changes in assets and liabilities:</b>						
(Increase) decrease in accounts receivable	7,629	3,859	106,156	(85)	117,559	
(Increase) in special assessments receivable	(19)	(656)			(675)	
Decrease in due from other governments			120	1,150	1,270	
Decrease in real and other taxes receivable			2,450		2,450	
(Increase) decrease in materials and supplies inventory	(8,553)	(541)	(56,458)	3,301	(62,251)	4,996
(Increase) in prepayments	(360)	(349)	(1,746)	(206)	(2,661)	
Increase (decrease) in accounts payable	(18,924)	(20,095)	(19,891)	(452)	(59,362)	12,245
Increase in accrued wages and benefits	1,433	922	1,191	1,279	4,825	251
Increase (decrease) in compensated absences payable	304	135	(31,464)	5,305	(25,720)	4,979
Increase in due to other governments	19,678	5,741	18,202	249	43,870	729
(Decrease) in due to other funds			(2,376)		(2,376)	
Increase in refundable cash deposits liability			13,413		13,413	
(Decrease) in landfill closure/post closure liability				(75,522)	(75,522)	
(Decrease) in AMP-Ohio stranded cost payable			(12,905)		(12,905)	
Net cash provided by operating activities	<u>\$20,653</u>	<u>\$989,132</u>	<u>\$268,801</u>	<u>\$151,422</u>	<u>\$1,430,008</u>	<u>\$1,465</u>

Non-Cash Transactions

During 2012, the water fund purchased capital assets on account in the amount of \$43,348.

During 2012 and 2011, the sewer fund purchased capital assets on account in the amount of \$63,706 and \$159,211, respectively.

During 2012 and 2011, the electric fund purchased capital assets on account in the amount of \$165,956 and \$362,812, respectively.

*See Accompanying Notes to the Basic Financial Statements.*

CITY OF ST. MARYS  
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
DECEMBER 31, 2012

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$146,290
<b>Receivables:</b>	
Income taxes	1,012,560
Total assets	<u>1,158,850</u>
<b>Liabilities:</b>	
Due to other governments	1,028,767
Payroll withholdings	41,652
Undistributed assets	88,431
Total liabilities	<u>\$1,158,850</u>

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. DESCRIPTION OF THE CITY**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City's significant accounting policies are described below.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units for 2012.

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**1. Joint Venture with Equity Interest**

**Ohio Municipal Electric Generation Agency Joint Venture**

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2012, the City of St. Marys has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP-Ohio redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP-Ohio's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP-Ohio credit facility. As of December 31, 2012, the outstanding debt was \$20,030,648. The City's net obligation for this amount at December 31, 2012 was \$761,165. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$781,117 at December 31, 2012. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2012 are:

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

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

<b>Year Ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2013	\$103,725	\$48,695	\$152,420
2014	109,054	43,249	152,303
2015	114,763	37,524	152,287
2016	120,853	31,499	152,352
2017	126,563	25,819	152,382
2018 -2020	416,991	40,220	457,211
Total obligation	<u>\$991,949</u>	<u>\$227,006</u>	<u>\$1,218,955</u>
less amount held in reserve	<u>(230,784)</u>		
	<u>\$761,165</u>		

**2. Insurance Purchasing Pool**

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**B. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds.

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**C. Fund Accounting**

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

**1. Governmental Funds**

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

**General fund** - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Voted income tax fund** - The voted income tax fund accounts for and reports financial resources resulting from the City's additional 0.5% income tax levy that are spent on various capital improvements.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**2. Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

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

**3. Fiduciary Funds**

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

**D. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

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

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**E. Basis of Accounting**

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

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

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

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

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

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

**2. Deferred Inflows of Resources and Deferred Outflows of Resources**

A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations, have been recorded as deferred inflows of resources on both the government-wide and fund financial statements.

Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows of resources on the governmental fund financial statements.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

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

**3. Expenses/Expenditures**

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

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

**F. Budgetary Process**

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

**1. Tax Budget**

A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County Auditor waived this requirement for 2012.

**2. Estimated Resources**

The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or before December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended official certificate of estimated resources issued during 2012.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**3. Appropriations**

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

**4. Budgeted Level of Expenditures**

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

**5. Lapsing of Appropriations**

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

**G. Cash and Investments**

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

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

The City has a segregated bank account for monies held separate from the City's central bank account. This depository account is presented on the basic financial statements as "cash in segregated accounts" since it is not required to be deposited into the City treasury. The City maintains a segregated depository account for ambulance monies.

During 2012, investments were limited to Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities, U.S. Treasury money market mutual funds, negotiable certificates of deposit and nonnegotiable certificates of deposit. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

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 2012 was \$59,749, which includes \$41,953 assigned from other City funds.

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

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

**H. Loans Receivable**

Loans receivable represent the right to receive payment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. See Note 8 for further information on the City's loans receivable.

**I. Notes Receivable**

Notes receivable represent the right to receive payment on notes issued to the Community Improvement Corporation of St. Marys (CIC). These notes are based upon written agreements between the City and the CIC. See Note 9 for further information on the City's notes receivable.

**J. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2012 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

On the governmental fund financial statements, prepaid items are equally offset by non-spendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of current assets.

**K. Inventories of Materials and Supplies**

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

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**L. Capital Assets**

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

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

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

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

**M. Compensated Absences**

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

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

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

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

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

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

**O. Interfund Balances**

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

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

**P. Interfund Activity**

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

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

**Q. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**1. Non-spendable**

The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**2. Restricted**

Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**3. Committed**

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**4. Assigned**

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**R. Restricted Assets**

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

**S. Estimates**

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

**T. Capital Contributions**

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. Capital contributions are reported as such in the statement of activities and as revenue in the proprietary fund financial statements. During 2012, the City's governmental activities received \$29,800 in capital contributions from outside entities.

The City's sewer fund received \$330,000 in capital contributions related to grant revenue restricted to capital acquisition and construction.

**U. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of monies held for law enforcement and education.

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

**V. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the City.

**B. Deficit Fund Balances**

Fund balances at December 31, 2012 included the following individual fund deficits:

<u>Non-major Governmental Funds</u>	
Police pension	\$40,138
Fire pension	38,017
Special assessment bond retirement	163,848

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

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

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

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

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

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

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

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

**Restricted cash with fiscal agent:** At year end, the City had \$50,841 on deposit with a financial institution for permissive tax monies held by Auglaize County. The data regarding insurance and collateralization can be obtained from the Auglaize County financial report for the year ended December 31, 2012. This amount is not included in "investments" below.

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

**Cash in segregated accounts:** At year end, the City had \$1,908 on deposit with a financial institution for monies related to the City's ambulance services. This amount is included in "deposits with financial institutions" below.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**A. Deposits with Financial Institutions**

At December 31, 2012, the carrying amount of all City deposits was \$16,325,285. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$11,130,229 of the City's bank balance of \$16,435,740 was exposed to custodial credit risk as discussed below, while \$5,305,511 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**B. Investments**

As of December 31, 2012, the City had the following investments and maturities:

<b>Investment type</b>	<b>Fair Value</b>	<b>Investment Maturities</b>				
		<b>6 months or less</b>	<b>7 to 12 months</b>	<b>13 to 18 months</b>	<b>19 to 24 months</b>	<b>Greater than 24 Months</b>
Negotiable CD's	\$ 360,307				\$360,307	
FNMA	5,874,279					\$5,874,279
FHLB	999,410					999,410
U.S. Treasury money market mutual funds	435,227	\$435,227				
<b>Total</b>	<b>\$7,669,223</b>	<b>\$435,227</b>	<b>\$0</b>	<b>\$0</b>	<b>\$360,307</b>	<b>\$6,873,689</b>

At December 31, 2012, the weighted average maturity of investments is 4.16 years.

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

**Credit Risk:** The U.S. Treasury money market mutual funds carry a rating of AAAM by Standard & Poor's. The City's investments in FNMA and FHLB securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, Inc., respectively. The City's negotiable certificates of deposit were fully insured by the FDIC. The City has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

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

**Concentration of Credit Risk:** The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 360,307	4.70
FNMA	5,874,279	76.60
FHLB	999,410	13.03
U.S. Treasury money market mutual funds	435,227	5.67
Total	<u>\$7,669,223</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure to cash and investments as reported on the statement of net position as of December 31, 2012:

<b>Cash and investments per note disclosure:</b>	
Carrying amount of deposits	\$16,325,285
Investments	7,669,223
Restricted cash with fiscal agent	50,841
Total	<u>\$24,045,349</u>

<b>Cash and investments per statement of net position:</b>	
Governmental activities	\$11,381,362
Business-type activities	12,517,697
Agency funds	146,290
Total	<u>\$24,045,349</u>

**5. INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

<b>Transfers out of general fund and into:</b>	
Electric fund	\$ 872,666
Non-major governmental funds	320,210
<b>Transfers out of internal service fund and into:</b>	
General fund	9,682
<b>Transfers out of non-major governmental fund and into:</b>	
Non-major governmental fund	942
Total	<u>\$1,203,500</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**5. INTERFUND TRANSACTIONS (Continued)**

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

Transfers between governmental funds are eliminated for reporting on the statement of activities. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

During 2012, the City transferred the residual balance of the self-insurance internal service fund to the general fund in the amount of \$9,682. The City also transferred \$942 in interest received as part of the City's street program from the special assessment improvement capital projects fund to the special assessment bond retirement fund (both non-major governmental funds). All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund loans receivable and payable consisted of the following, as reported in the fund financial statements for the year ended December 31, 2012:

<b>Interfund loans receivable in the electric fund from:</b>	
Non-major governmental fund	<u>\$197,940</u>

Interfund loans between governmental and business-type activities are reported as a component of "internal balance" on the statement of net position.

- C.** Due to/from other funds consisted of the following, as reported in the fund financial statements for the year ended December 31, 2012:

<b>Due to general fund from:</b>	
Electric fund	<u>\$62,203</u>

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

**6. PROPERTY TAXES**

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of St. Marys. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim.

In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2012 was \$3.32 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

<b>Real property</b>	
Residential/agricultural	\$ 91,461,800
Commercial/industrial/mineral	35,966,750
<b>Public utility</b>	
Real	10,740
Personal	334,800
Total assessed value	<u>\$127,774,090</u>

**7. LOCAL INCOME TAX**

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City, by ordinance, allocates 1 percent of the income tax revenues to the general fund (0.72%), the street construction and maintenance fund (a non-major governmental fund) (0.18%), and the capital improvements fund (a non-major governmental fund) (0.10%). The other 0.5 percent is allocated to the voted income tax fund. For 2012, in the fund financial statements, income tax revenue credited to the general fund, voted income tax fund, capital improvements fund (a non-major governmental fund), and street construction and maintenance fund (a non-major governmental fund), totaled \$2,036,237, \$1,246,673, \$242,890, and \$437,204, respectively.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**8. LOANS RECEIVABLE**

Loans receivable represent low interest loans for development projects and home improvements granted to eligible City businesses and residents under the Community Development Block Grant (CDBG) program, a federal grant program which is accounted for in the CDBG fund (a non-major governmental fund). The loans have annual interest rates ranging from 2.00% - 4.50% and are repaid over periods ranging from five to thirty years.

A summary of loans receivable activity during 2012 follows:

<b>Loans receivable:</b>	<b>Balance 12/31/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/12</b>
Business loans	<u>\$509,816</u>	<u>\$1,898</u>	<u>(\$181,558)</u>	<u>\$1,330,156</u>

**9. NOTES RECEIVABLE**

Notes receivable represent amounts issued to the Community Improvement Corporation of St. Marys (CIC) for the improvement of storefronts within the City that are being leased to outside entities, specifically the St. Marys City School District Board of Education. The CIC is charged with collecting lease payments from the lessee in order to repay the note principal to the City. The note was issued on October 1, 2010 for \$150,000, has an annual interest rate of 1.00%, and is to be repaid on a quarterly basis over a 20 year period. At December 31, 2012 the amount owed to the City was \$136,312.

A summary of notes receivable activity during 2012 follows:

<b>Notes receivable:</b>	<b>Balance 12/31/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/12</b>
Notes	<u>\$143,190</u>	<u>\$0</u>	<u>(\$6,878)</u>	<u>\$136,312</u>

**10. RECEIVABLES**

Receivables at December 31, 2012 consisted of taxes, accounts (billings for user charged services), special assessments, loans, notes, accrued interest and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2012.

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

<b>Receivables:</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Income taxes	\$ 685,900	
Real and other taxes	379,431	\$ 64,475
Accounts	57,384	1,799,272
Special assessments	270,466	1,187
Loans	1,330,156	
Notes	136,312	
Accrued interest	11,646	
Due from other governments	309,951	6,129
Total	<u>\$3,181,246</u>	<u>\$1,871,063</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**10. RECEIVABLES (Continued)**

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

**11. CAPITAL ASSETS**

Governmental activities capital asset activity for the year ended December 31, 2012 was as follows:

<b>Governmental Activities:</b>	<b>Balance 12/31/11</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 12/31/12</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,919,240	\$170,454		\$ 2,089,694
Total capital assets, not being depreciated	<u>1,919,240</u>	<u>170,454</u>		<u>2,089,694</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	4,473,830	146,542		4,620,372
Buildings and improvements	1,677,277			1,677,277
Equipment and furniture	1,141,848	56,773		1,198,621
Vehicles	3,813,124	181,392	(\$90,616)	3,903,900
Infrastructure	22,648,283	591,614		23,239,897
Total capital assets, being depreciated	<u>33,754,362</u>	<u>976,321</u>	<u>(90,616)</u>	<u>34,640,067</u>
<b>Less: accumulated depreciation:</b>				
Land improvements	(1,322,192)	(174,291)		(1,496,483)
Buildings and improvements	(970,308)	(45,031)		(1,015,339)
Equipment and furniture	(705,713)	(65,363)		(771,076)
Vehicles	(2,569,076)	(232,158)	84,520	(2,716,714)
Infrastructure	(10,752,874)	(977,279)		(11,730,153)
Total accumulated depreciation	<u>(16,320,163)</u>	<u>(1,494,122)</u>	<u>84,520</u>	<u>(17,729,765)</u>
Total capital assets, net	<u>\$19,353,439</u>	<u>(\$347,347)</u>	<u>(\$ 6,096)</u>	<u>\$18,999,996</u>

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

<b>Governmental Activities:</b>	<b>Depreciation Expense</b>
General government	\$ 34,127
Security of persons and property	212,041
Public health and welfare	6,815
Transportation	1,063,172
Community environment	49,617
Leisure time activities	125,350
Capital assets held by the internal service funds are charged to various functions based upon their usage of the capital assets	<u>3,000</u>
Total depreciation expense	<u>\$1,494,122</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

Business-type activities capital asset activity for the year ended December 31, 2012 was as follows:

<b>Business-type Activities:</b>	<b>Balance 12/31/11</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 12/31/12</b>
<b>Capital assets, not being depreciated:</b>				
Land and easements	\$ 1,221,910			\$ 1,221,910
Construction in progress	392,321	\$1,727,697		2,120,018
Total capital assets, not being depreciated	<u>1,614,231</u>	<u>1,727,697</u>		<u>3,341,928</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	5,576,480	27,347		5,603,827
Buildings and improvements	16,662,456	43,348		16,705,804
Equipment and furniture	11,221,803	101,931		11,323,734
Vehicles	3,143,788		(\$58,714)	3,085,074
Infrastructure	19,886,195	245,240		20,131,435
Total capital assets, being depreciated	<u>56,490,722</u>	<u>417,866</u>	<u>(58,714)</u>	<u>56,849,874</u>
<b>Less: accumulated depreciation:</b>				
Land improvements	(3,206,985)	(218,132)		(3,425,117)
Buildings and improvements	(4,948,310)	(579,823)		(5,528,133)
Equipment and furniture	(9,408,099)	(281,749)		(9,689,848)
Vehicles	(2,290,894)	(142,912)	58,714	(2,375,092)
Infrastructure	(9,205,201)	(523,281)		(9,728,482)
Total accumulated depreciation	<u>(29,059,489)</u>	<u>(1,745,897)</u>	<u>58,714</u>	<u>(30,746,672)</u>
Total capital assets, net	<u>\$29,045,464</u>	<u>\$ 399,666</u>	<u>\$ 0</u>	<u>\$29,445,130</u>

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

<b>Business-type Activities:</b>	<b>Depreciation Expense</b>
Water fund	\$ 250,694
Sewer fund	732,855
Electric fund	638,020
Refuse fund	124,328
Total depreciation expense	<u>\$1,745,897</u>

**12. COMPENSATED ABSENCES**

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

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**12. COMPENSATED ABSENCES (Continued)**

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

**13. LONG-TERM OBLIGATIONS**

Governmental activities changes in long-term obligations for the year ended December 31, 2012 were as follows:

<b>Governmental Activities:</b>	<b>Balance 12/31/2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/31/2012</b>	<b>Amount Due Within One Year</b>
<b>Long-term obligations:</b>					
Bond anticipation notes payable	\$ 95,000	\$ 30,000	(\$ 95,000)	\$ 30,000	\$30,000
Compensated absences payable	423,836	95,730	(94,121)	425,445	91,988
<b>Total long-term obligations</b>	<b>\$518,836</b>	<b>\$125,730</b>	<b>(\$189,121)</b>	<b>\$455,445</b>	<b>\$121,988</b>

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

**Bond anticipation notes** - On April 1, 2011, the City entered into bond anticipation notes for \$95,000 to finance the 2011 street program. The notes carried an interest rate of 1.95% and matured on April 1, 2012. On July 5, 2012, the City entered into bond anticipation notes for \$30,000 to finance the 2012 street program. The notes carry an interest rate of 1.50% and mature on July 5, 2013. The bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year. In accordance with GAAP, the City's bond anticipation notes are reported as long-term obligations as the City has consummated refinancing on a long-term basis prior to the issuance of the financial statements (See Note 24).

Business-type activities changes in long-term obligations for the year ended December 31, 2012 were as follows:

<b>Business-type Activities:</b>	<b>Interest Rate</b>	<b>Balance 12/31/11</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/31/12</b>	<b>Amount Due Within One Year</b>
<b>General obligation bonds:</b>						
OMEGA JV2 electric project	3.81%	\$ 1,090,535		(\$ 98,586)	\$ 991,949	\$103,725
<b>OWDA loan:</b>						
Wastewater treatment plant	3.36%	10,573,990		(436,006)	10,137,984	450,779
<b>OPWC loan:</b>						
Spring Street sanitary lift rehabilitation	0.00%		\$300,000	(7,500)	292,500	15,000

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

<u>Business-type Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/12</u>	<u>Amount Due Within One Year</u>
<b>Other long-term obligations:</b>						
Compensated absences payable		414,973	98,764	(124,484)	389,253	95,156
AMP-Ohio stranded cost payable		2,664,281	187,095	(200,000)	2,651,376	200,000
Landfill closure/post-closure liability		2,972,640		(75,522)	2,897,118	
Total other long-term obligations		<u>6,051,894</u>	<u>285,859</u>	<u>(400,006)</u>	<u>5,937,747</u>	<u>295,156</u>
Total long-term obligations		<u>\$17,716,419</u>	<u>\$585,859</u>	<u>(\$942,098)</u>	<u>\$17,360,180</u>	<u>\$864,660</u>

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

See Note 19 for detail of landfill closure/post-closure costs.

**A. General obligation bonds**

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

**OWDA loan** - The City has pledged future sewer revenues to repay an Ohio Water Development Authority (OWDA) loan related to the construction of a new wastewater treatment plant. The loan is payable solely from sewer fund revenues and is payable through 2029 at an interest rate of 3.36%. Annual principal and interest payments on the loan are expected to require 78.45% of net revenues and 39.90% of total revenues. The total principal and interest remaining to be paid on the loan is \$13,390,217.

Principal and interest paid for the current year was \$787,660, total net revenues were \$1,004,015 and total revenues were \$1,974,064. The loan is supported by the full faith and credit of the City.

**OPWC loan** - The City has entered into a debt financing arrangement through the Ohio Public Works Commission (OPWC) to fund a sanitary lift rehabilitation project. The payments due to the OPWC are made from the City's sewer fund. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2012, the City had outstanding OPWC loan borrowings of \$292,500 in the sewer fund. The loan agreement requires semi-annual payments based on the actual amount loaned. The OPWC loan is interest free and is payable through 2032.

**AMP-Ohio stranded cost payable** - The City is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The City executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

**B. History of the AMPGS Project**

In November 2009, the participants of the AMPGS Project voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the AMPGS Project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the AMPGS Project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested American Municipal Power ("AMP") members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS Project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2012, the type of generating asset has not been determined.

As mentioned above, the AMPGS Project participants signed take-or-pay contracts with AMP. As such, the participants of the AMPGS Project are obligated to pay all costs incurred for the AMPGS Project. To date it has not been determined what those total final costs are for the participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the take-or-pay contract. At December 31, 2012, AMP has a regulatory asset of \$96,544,650 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS Project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS Project participants as to the risks and uncertainties with respect to the outstanding potential liability the City has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011, AMP sent memos to AMPGS Project participants providing the participant's information identifying their potential AMPGS Project stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure.

AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

Based on an allocation to the City of 21,000 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2012 the City has a potential stranded cost obligation of \$3,588,961 for the AMPGS Project. The City has made payments of \$200,000, which are on deposit with AMP at December 31, 2012. Therefore, the City has an outstanding potential stranded cost obligation of \$3,388,961 at December 31, 2012 (see credit for AFEC Development Fee below).

**C. AFEC Development Fee**

The AFEC Development Fee ("Development Fee") is the amount paid by AFEC participants to the AMPGS Project as a Development Fee in August 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC participants is credited to the potential AMPGS Project costs of each AFEC participant that is also an AMPGS Project participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board. The City is a participant in the AFEC project and has received a credit to reduce its share of AMPGS Project potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the City receives a credit of \$737,585 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 7,045 and the total kW share of those participating in both projects. The City has recorded this credit as a reduction to the long-term liability for stranded cost payable reported as of December 31, 2012. At December 31, 2012, the stranded cost liability, net of the credit, was \$2,651,376.

**D. Recording of Stranded Costs**

In 2011, the City chose to record the potential stranded costs identified by AMP's memos relating to the AMPGS Project as a current operating expense through the contractual services line item. In spite of booking the expense as part of current operating activity, the City was still able to meet its debt covenant obligation(s) with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture during 2011 (See Note 2.A for more detail on OMEGA JV2).

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the City relied upon its City Law Director, information provided by AMP and its legal counsel with respect to the data, as well as the City's management. The City plans to repay the debt obligation through current resources in the electric fund.

**Future Debt Service Requirements** - At December 31, 2012, the principal and interest requirements to retire the business-type activities long-term obligations are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
2013	\$103,725	\$ 48,695	\$ 152,420
2014	109,054	43,249	152,303
2015	114,763	37,524	152,287
2016	120,853	31,499	152,352
2017	126,563	25,819	152,382
2018 - 2020	416,991	40,220	457,211
Total	<u>\$991,949</u>	<u>\$227,006</u>	<u>\$1,218,955</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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

Year Ended	OPWC Loan			OWDA Loan		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 15,000		\$ 15,000	\$ 450,779	\$ 336,881	\$ 787,660
2014	15,000		15,000	466,052	321,608	787,660
2015	15,000		15,000	481,843	305,817	787,660
2016	15,000		15,000	498,169	289,491	787,660
2017	15,000		15,000	515,048	272,612	787,660
2018 - 2022	75,000		75,000	2,849,133	1,089,165	3,938,298
2023 - 2027	75,000		75,000	3,365,644	572,655	3,938,299
2028 - 2032	67,500		67,500	1,511,316	64,004	1,575,320
Total	\$292,500	\$0	\$292,500	\$10,137,984	\$3,252,233	\$13,390,217

**Legal Debt Margins** - At December 31, 2012, the City had a legal voted debt margin of \$13,252,431 and a legal un-voted debt margin of \$7,027,575.

**14. RISK MANAGEMENT**

**A. Risk Pool Membership**

The City belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**14. RISK MANAGEMENT (Continued)**

The City also belongs to the Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

As authorized by Section 9.833 of the Ohio Revised Code, the OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 92 and 74 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts for OPRM and OPHC did not exceed insurance coverage for the past three fiscal years.

The OPRM and OPHC's audited financial statements conform with generally accepted accounting principles. OPRM and OPHC reported the following assets, liabilities and members' equity at December 31, 2012 and December 31, 2011, the most current audited financial statements available, for both OPRM and OPHC:

	2012		2011	
	OPRM	OPHC	OPRM	OPHC
Assets	\$13,100,381	\$1,152,610	\$12,501,280	\$1,459,791
Liabilities	(6,687,193)	(1,615,537)	(5,328,761)	(1,283,527)
Members' Equity	\$6,413,188	\$ 462,927	\$ 7,172,519	\$ 176,264

You can read the complete audited financial statements for OPRM and OPHC at the Plans' website, [www.ohioplan.org](http://www.ohioplan.org).

**B. Property and Liability**

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**14. RISK MANAGEMENT (Continued)**

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$6,000,000	\$ 0
Law Enforcement Liability	6,000,000	5,000
Public Officials Liability	6,000,000	5,000
Employers Liability	6,000,000	0
Employee Benefits Liability	6,000,000	0
Automobile Fleet Liability	6,000,000	1,000
Buildings and Contents	85,380,719	1,000
Boiler and Machinery	40,000,000	Various
Inland Marine and Equipment	3,423,077	1,000

There were no significant reductions in insurance coverage from 2011 and no insurance settlement has exceeded insurance coverage during the last three years.

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

**C. Employee Medical Benefits**

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

The monthly premiums for the PPO plan are \$499.89 for single coverage and \$1,188.07 for family coverage, and the employee share ranges from 14% to 29% of the premium amount. The PPO plan has an in-network deductible of \$1,000 per year for single coverage and \$3,000 per year for family coverage. Maximum out-of-pocket limits for the PPO plan are equal to the in-network deductibles, \$1,000 per year for single coverage and \$3,000 per year for family coverage. The PPO plan has a maximum lifetime coverage limit of \$5,000,000.

The monthly premiums for the HSA plan are \$534.72 for single coverage and \$1,269.81 for family coverage, and the employee share ranges from 10% to 30% of the premium amount. The HSA plan has an in-network deductible of \$1,500 for single coverage and \$3,000 for family coverage. Maximum out-of-pocket limits for the HSA plan are equal to the in-network deductibles, \$1,500 per year for single coverage and \$3,000 per year for family coverage. The HSA plan has a maximum lifetime coverage limit of \$5,000,000.

**D. Workers' Compensation**

For 2012, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**15. PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$349,172, \$343,441, and \$309,339, respectively; 90.47% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2012 were \$2,100 made by the City and \$1,500 made by the plan members.

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**15. PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$120,533 and \$134,482 for the year ended December 31, 2012, \$116,848 and \$130,764 for the year ended December 31, 2011, and \$115,008 and \$126,806, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 74.78% has been contributed for police and 76.48% has been contributed for firefighters for 2012. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements.

**16. POST-EMPLOYMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**16. POST-EMPLOYMENT BENEFIT PLANS (Continued)**

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$141,126, \$138,893, and \$175,720, respectively; 90.47% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

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

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

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

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**16. POST-EMPLOYMENT BENEFIT PLANS (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$63,812 and \$52,624 for the year ended December 31, 2012, \$61,861 and \$51,169 for the year ended December 31, 2011, and \$60,886 and \$49,620, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 74.78% has been contributed for police and 76.48% has been contributed for firefighters for 2012. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

**17. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**17. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

	<b>General fund</b>
Budget basis	(\$624,942)
Net adjustment for revenue accruals	(26,445)
Net adjustment for expenditure accruals	(17,440)
Adjustment for encumbrances	172,928
GAAP basis	(\$495,899)

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund.

**18. RESTRICTED ASSETS**

Refundable electric customer deposits are presented as restricted assets on the proprietary fund statement of net position. The City also has permissive tax monies on deposit with Auglaize County in the amount of \$50,841 (cash with fiscal agent). At December 31, 2012, restricted assets for business-type activities were as follows:

<b>Restricted assets:</b>	<b>Electric Fund</b>
Cash and cash equivalents:	
Refundable cash deposits	\$360,174

**19. LANDFILL CLOSURE/POSTCLOSURE COSTS**

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

The City is in the process of closing the landfill. The landfill closure and post-closure liability of \$2,897,118 at December 31, 2012 represents the cumulative amount for closure and post-closure care. The amounts are based on what it would cost to perform all closure and post-closure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**20. CONTRACTUAL COMMITMENTS**

At December 31, 2012, the City had the following contractual commitments:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Contract Balance</u>
American Municipal Power-Ohio	\$14,941,200	\$13,122,607	\$1,818,593
Bowman Construction, Inc.	201,966	187,512	14,454
Buschur Electric, Inc.	112,073	71,761	40,312
Celina Landfill	200,000	190,443	9,557
Myers Controlled Power, LLC.	412,891	392,246	20,645
Ohio Plan	983,443	891,358	92,085
U.S. Utility Contractor Co.	569,080	340,594	228,486
Winelco	301,652	196,387	105,265
Total contractual commitments	<u>\$17,722,305</u>	<u>\$15,392,908</u>	<u>\$2,329,397</u>

**21. CONTINGENCIES**

**A. Grants**

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2012.

**B. Litigation**

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

**22. OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$160,487
Voted income tax fund	84,389
Non-major governmental funds	52,089
Total	<u>\$296,965</u>

**CITY OF ST. MARYS  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**23. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund balance</u>	<u>General</u>	<u>Voted Income Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Non-spendable:</b>				
Prepayments	\$ 48,435		\$ 7,150	\$ 55,585
Materials and supplies inventory	27,182		18,533	45,715
Unclaimed monies	2,652			2,652
Total non-spendable	<u>78,269</u>		<u>25,683</u>	<u>103,952</u>
<b>Restricted:</b>				
Capital projects		\$3,316,526	217,363	3,533,889
Transportation projects			1,208,615	1,208,615
Community improvements			2,101,833	2,101,833
Other purposes			20,597	20,597
Total restricted		<u>3,316,526</u>	<u>3,548,408</u>	<u>6,864,934</u>
<b>Committed:</b>				
Capital projects			2,550,142	2,550,142
Leisure time activity			72,997	72,997
Total committed			<u>2,623,139</u>	<u>2,623,139</u>
<b>Assigned:</b>				
General government	52,569			52,569
Security of persons and property	73,838			73,838
Public health and welfare	2,500			2,500
Community environment	684			684
Leisure time activity	28,945			28,945
Subsequent year's appropriations	1,899,762			1,899,762
Total assigned	<u>2,058,298</u>			<u>2,058,298</u>
Unassigned (deficit)	<u>1,395,639</u>		<u>(242,003)</u>	<u>1,153,636</u>
Total fund balances	<u>\$3,532,206</u>	<u>\$3,316,526</u>	<u>\$5,955,227</u>	<u>\$12,803,959</u>

**24. SUBSEQUENT EVENT**

The City issued bond anticipation notes on May 16, 2013 in the amount of \$37,000 that mature on May 16, 2014. These bond anticipation notes were used to refund the bond anticipation notes issued on July 5, 2012.



# Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 4, 2013, wherein we noted the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items previously reported as assets and liabilities*".

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

**Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 4, 2013



# Dave Yost • Auditor of State

**CITY OF ST. MARYS**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 17, 2013**