



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

St. Marys City School District
Auglaize County
100 West Spring Street
St. Marys, Ohio 45885

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, (the School District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Marys City School District, Auglaize County, Ohio, as of June 30, 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the School District'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The Schedule of Federal Awards Receipts and Expenditure (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Dave Yost
Auditor of State

January 15, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of St. Marys City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For St. Marys City School District, the General Fund and the Building and Ohio School Facilities Commission capital projects funds are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, noninstructional services, extracurricular activities, capital outlay, intergovernmental, and debt service disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Building and Ohio School Facilities Commission capital projects funds.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1			
Governmental Activities			
Net Assets			
	2012	2011	Change
Assets:			
Cash and Cash Equivalents	\$11,629,878	\$12,839,520	(\$1,209,642)
Net Assets:			
Restricted	8,190,262	8,931,923	(741,661)
Unrestricted	3,439,616	3,907,597	(467,981)
Total Net Assets	\$11,629,878	\$12,839,520	(\$1,209,642)

Total net assets decreased \$1,209,642. The decrease in restricted net assets resulted from the School District disbursing bond proceeds and Ohio School Facilities Commission grants for the construction and improvement of instructional buildings, along with the use of permanent improvement property taxes for the construction of a physical education and athletic track at the new high school. Unrestricted net assets decreased from operating disbursements being greater than operating receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

**Table 2
Governmental Activities
Change in Net Assets**

	2012	2011	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 1,516,078	\$ 1,717,791	(\$ 201,713)
Operating Grants, Contributions and Interest	3,608,514	2,903,589	704,925
Total Program Receipts	5,124,592	4,621,380	503,212
General Receipts:			
Property Taxes Levied for General Purposes	6,347,834	6,241,102	106,732
Property Taxes Levied for Debt Service	1,592,968	1,540,894	52,074
Property Taxes levied for Permanent Improvements	359,790	353,087	6,703
Grants and Entitlements	10,660,484	13,263,039	(2,602,555)
Interest	28,917	48,527	(19,610)
Miscellaneous	152,759	280,228	(127,469)
Total General Receipts	19,142,752	21,726,877	(2,584,125)
Total Receipts	24,267,344	26,348,257	(2,080,913)
Disbursements:			
Instruction:			
Regular	9,654,628	10,053,135	398,507
Special	2,940,305	2,806,852	(133,453)
Vocational	1,132,405	1,311,162	178,757
Adult/Continuing	15,512	7,520	(7,992)
Support Services:			
Pupils	1,528,424	1,627,945	99,521
Instructional Staff	976,378	1,039,975	63,597
Board of Education	108,217	121,325	13,108
Administration	1,401,130	1,380,921	(20,209)
Fiscal	460,243	398,156	(62,087)
Business	272,948	275,892	2,944
Operation and Maintenance of Plant	1,984,684	3,468,073	1,483,389
Pupil Transportation	920,023	792,460	(127,563)
Central	8,673	8,039	(634)
Non-instructional Services	974,648	969,099	(5,549)
Extracurricular Activities	493,299	652,114	158,815
Capital Outlay	818,542	14,570,091	13,752,049
Intergovernmental	146,162	2,050	(144,112)
Debt Service:			
Principal Retirement	475,377	585,376	109,999
Interest and Fiscal Charges	1,165,388	1,184,603	19,215
Total Disbursements	25,476,986	41,255,288	15,778,302
Decrease in Net Assets	(1,209,642)	(14,907,031)	13,697,389
Net Assets at Beginning of Year	12,839,520	27,746,551	(14,907,031)
Net Assets at End of Year	\$11,629,878	\$12,839,520	(\$1,209,642)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Program receipts represented 21 percent of total receipts for fiscal year 2012 and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities, and food service sales. Charges for services decreased from tuition fees and a reduction of open enrollment students. Operating grants, entitlements, and interest program receipts increased in fiscal year 2012 from the School District qualifying for additional federal reimbursement for the school lunch program. Funding was also received from the Education Jobs grant and additional grant funding through Title I from the American Recovery and Reinvestment Act.

The majority of general receipts are unrestricted grants and entitlements, which primarily represents State foundation resources and the Ohio School Facilities Commission Grant. During fiscal year 2011, the School District received greater resources from the Ohio School Facilities Commission for construction and unrestricted federal grants through the American Recovery and Reinvestment Act. Property taxes basically make up the balance of the School District's general receipts.

The School District had significant decreases in several programs. The decreases are mainly attributable to a 1 percent pay decrease for all employees, along with not replacing employees through attrition. The School District also switched the health insurance plan to an Alternate PPO. Operation and maintenance of plant support services decreased from the School District constructing a physical education and athletic track near the new middle and high school during fiscal year 2011. The extracurricular activities program costs decreased from the elimination of some supplemental contracts. Capital outlay costs decreased significantly as construction of new instructional buildings was completed.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 9,654,628	\$10,053,135	\$ 8,569,039	\$ 9,489,223
Special	2,940,305	2,806,852	889,087	718,939
Vocational	1,132,405	1,311,162	679,569	731,963
Adult/Continuing	15,512	7,520	5,649	(3,337)
Support Services:				
Pupils	1,528,424	1,627,945	1,528,424	1,627,945
Instructional Staff	976,378	1,039,975	976,378	1,039,975
Board of Education	108,217	121,325	108,217	121,325
Administration	1,401,130	1,380,921	1,401,130	1,380,921
Fiscal	460,243	398,156	460,243	398,156
Business	272,948	275,892	194,776	191,224
Operation and Maintenance of Plant	1,984,684	3,468,073	1,941,105	3,424,494
Pupil Transportation	920,023	792,460	878,866	746,788
Central	8,673	8,039	8,673	8,039
Non-instructional Services	974,648	969,099	(214,592)	(42,772)
Extracurricular Activities	493,299	652,114	320,361	458,405
Capital Outlay	818,542	14,570,591	818,542	14,570,591
Intergovernmental	146,162	2,050	146,162	2,050
Debt Service:				
Principal Retirement	475,377	585,376	475,377	585,376
Interest and Fiscal Charges	1,165,388	1,184,603	1,165,388	1,184,603
Total Disbursements	\$25,476,986	\$41,255,288	\$20,352,394	\$36,633,908

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Cost of services were financed through user charges and grants awarded for specific programs, in the amount of \$5,124,592, or 20 percent, for fiscal year 2012. The overall increase in funding through program revenues was primarily due to additional federal grants received in fiscal year 2012.

The most significant program receipts from restricted grants are associated with the regular and special instruction programs, along with non-instructional services. Non-instructional services were fully funded in fiscal year 2012 through charges for services and federal and state funds for providing meals to students and state operating grants for the number of students receiving their education through the parochial school which is reported within non-instructional services. Other material program receipts were received for extracurricular programs (consisting of sport-related and trip charges that are received to finance these activities).

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund reported a negative change in fund balance in fiscal year 2012. Total receipts decreased slightly. Disbursements decreased less than 2 percent primarily from the Board of Education reducing costs through a 1 percent salary decrease for all employees, attrition through retirements, elimination of summer student help, reduction of extended day contracts for certain positions, elimination of supplemental contracts for various sports and student groups, changing the base health insurance plan to an Alternate PPO program, and elimination of all field trips not paid by students, however, disbursements continue to be greater than receipts.

Fund balance in the Building Fund decreased as the bond proceeds were spent for the school construction project.

Fund balance in the Ohio School Facilities Commission Fund decreased as the School District spent the majority of grants from the Ohio School Facilities Commission and bond proceeds to fund the School District's portion of the school construction project.

Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2012, the School District amended its General Fund budget as needed. There was no change from original to final budget amounts for receipts. Actual receipts for property taxes, interest, and miscellaneous receipts were significantly less than the final budget amounts due to the reduction of the values for property taxes within the County and low interest rates.

Changes from the original to final budget and from the final budget to actual disbursements were not significant.

Debt Administration

At June 30, 2012, the School District's outstanding debt included general obligation bonds for the construction of new school facilities, and for asbestos removal loans, in the amount of \$24,224,998 and \$31,512, respectively. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Current Issues

The School District has completed the Ohio School Facilities Commission (OSFC) building project. This project included the construction of a new building to house grades 6 through 12 and renovations to the existing East and West Elementary buildings and the Denning Vocational Building. The entire project was materially completed and ready for use at the beginning of the 2011 school year (September 2010). However, the School District is still pursuing options on how to correct the efflorescence issue on the split-faced block on the high school/middle school complex.

The School District has approved the construction of six tennis courts at the new high school/middle school complex at a cost of \$322,684. The installation of dugouts/shelters was also approved at the soccer complex located at the intermediate school at a cost of \$38,250.

Faced with the current economic conditions, the School District has taken steps to contain costs including a pay freeze in fiscal year 2013 for all union, non-union, and administrative personnel. For fiscal year 2013, the Board of Education continued with the reductions adopted for fiscal year 2012 that included attrition through retirements, elimination of summer student help, reduction of extended day contracts for certain positions, elimination of supplemental contracts for various sports and student groups, elimination of all field trips not paid by students, and a reduction in building budgets.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Thomas Sommer, Treasurer, St. Marys City School District, 100 West Spring Street, St. Marys, Ohio 45885.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$11,521,969
Cash and Cash Equivalents with Escrow Agent	<u>107,909</u>
Total Assets	<u><u>11,629,878</u></u>
Net Assets:	
Restricted for:	
Debt Service	812,554
Capital Projects	6,060,846
Food Service	617,527
School Facility Maintenance	626,694
Other Purposes	72,641
Unrestricted	<u>3,439,616</u>
Total Net Assets	<u><u>\$11,629,878</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipt and Change in Net Assets</u>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$9,654,628	\$422,986	\$662,603	(\$8,569,039)
Special	2,940,305		2,051,218	(889,087)
Vocational	1,132,405	269,530	183,306	(679,569)
Adult/Continuing	15,512		9,863	(5,649)
Support Services:				
Pupils	1,528,424			(1,528,424)
Instructional Staff	976,378			(976,378)
Board of Education	108,217			(108,217)
Administration	1,401,130			(1,401,130)
Fiscal	460,243			(460,243)
Business	272,948	78,172		(194,776)
Operation and Maintenance of Plant	1,984,684		43,579	(1,941,105)
Pupil Transportation	920,023		41,157	(878,866)
Central	8,673			(8,673)
Non-instructional Services	974,648	572,452	616,788	214,592
Extracurricular Activities	493,299	172,938		(320,361)
Capital Outlay	818,542			(818,542)
Intergovernmental	146,162			(146,162)
Debt Service:				
Principal Retirement	475,377			(475,377)
Interest and Fiscal Charges	1,165,388			(1,165,388)
Total Governmental Activities	<u><u>\$25,476,986</u></u>	<u><u>\$1,516,078</u></u>	<u><u>\$3,608,514</u></u>	<u><u>(20,352,394)</u></u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				6,347,834
Debt Service				1,592,968
Permanent Improvements				359,790
Grants and Entitlements not Restricted to Specific Programs				10,660,484
Interest				28,917
Miscellaneous				152,759
Total General Receipts				<u><u>19,142,752</u></u>
Change in Net Assets				(1,209,642)
Net Assets at Beginning of Year				<u><u>12,839,520</u></u>
Net Assets at End of Year				<u><u>\$11,629,878</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,462,288	\$4,004,271	\$1,204,762	\$2,837,271	\$11,508,592
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	13,377				13,377
Cash and Cash Equivalents with Escrow Agent			107,909		107,909
Total Assets	<u>\$3,475,665</u>	<u>\$4,004,271</u>	<u>\$1,312,671</u>	<u>\$2,837,271</u>	<u>\$11,629,878</u>
Fund Balances:					
Restricted	13,377	4,004,271	1,312,671	2,859,943	8,190,262
Assigned	558,484				558,484
Unassigned (Deficit)	2,903,804			(22,672)	2,881,132
Total Fund Balances	<u>\$3,475,665</u>	<u>\$4,004,271</u>	<u>\$1,312,671</u>	<u>\$2,837,271</u>	<u>\$11,629,878</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:					
Property Taxes	\$6,347,834			\$1,952,758	\$8,300,592
Intergovernmental	11,681,856			2,582,325	14,264,181
Interest	6,675	\$8,974	\$10,882	3,130	29,661
Tuition and Fees	692,516				692,516
Charges for Services				572,452	572,452
Extracurricular Activities				172,938	172,938
Gifts and Donations				4,073	4,073
Miscellaneous	218,269			12,662	230,931
Total Receipts	<u>18,947,150</u>	<u>8,974</u>	<u>10,882</u>	<u>5,300,338</u>	<u>24,267,344</u>
Disbursements:					
Current:					
Instruction:					
Regular	9,561,245			93,383	9,654,628
Special	2,079,783			860,522	2,940,305
Vocational	1,128,573			3,832	1,132,405
Adult/Continuing	3,018			12,494	15,512
Support Services:					
Pupils	1,496,517			31,907	1,528,424
Instructional Staff	958,109			18,269	976,378
Board of Education	108,217				108,217
Administration	814,921			586,209	1,401,130
Fiscal	413,872			46,371	460,243
Business	272,948				272,948
Operation and Maintenance of Plant	1,505,541			479,143	1,984,684
Pupil Transportation	837,019			83,004	920,023
Central	8,673				8,673
Non-instructional Services				974,648	974,648
Extracurricular Activities	323,590			169,709	493,299
Capital Outlay		598,561	219,981		818,542
Intergovernmental	141,599			4,563	146,162
Debt Service:					
Principal Retirement				475,377	475,377
Interest and Fiscal Charges				1,165,388	1,165,388
Total Disbursements	<u>19,653,625</u>	<u>598,561</u>	<u>219,981</u>	<u>5,004,819</u>	<u>25,476,986</u>
Excess of Receipts Over (Under) Disbursements	<u>(706,475)</u>	<u>(589,587)</u>	<u>(209,099)</u>	<u>295,519</u>	<u>(1,209,642)</u>
Other Financing Sources (Uses):					
Transfers In				201,191	201,191
Transfers Out	(71,034)			(130,157)	(201,191)
Total Other Financing Sources (Uses)	<u>(71,034)</u>			<u>71,034</u>	
Changes in Fund Balances	(777,509)	(589,587)	(209,099)	366,553	(1,209,642)
Fund Balances at Beginning of Year	<u>4,253,174</u>	<u>4,593,858</u>	<u>1,521,770</u>	<u>2,470,718</u>	<u>12,839,520</u>
Fund Balances at End of Year	<u>\$3,475,665</u>	<u>\$4,004,271</u>	<u>\$1,312,671</u>	<u>\$2,837,271</u>	<u>\$11,629,878</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Receipts:				
Property Taxes	\$6,940,530	\$6,940,530	\$6,347,834	(\$592,696)
Intergovernmental	11,538,534	11,538,534	11,681,856	143,322
Interest	467,155	467,155	6,675	(460,480)
Tuition and Fees	705,000	705,000	692,516	(12,484)
Gifts and Donations	10,000	10,000		(10,000)
Miscellaneous	316,720	316,720	218,269	(98,451)
Total Receipts	19,977,939	19,977,939	18,947,150	(1,030,789)
Disbursements:				
Current:				
Instruction:				
Regular	9,627,474	9,627,474	9,597,444	30,030
Special	2,139,222	2,119,222	2,107,474	11,748
Vocational	1,086,588	1,176,588	1,160,330	16,258
Adult/Continuing		5,000	3,018	1,982
Other	58,000	40,000	21,973	18,027
Support Services:				
Pupils	1,531,008	1,531,008	1,510,513	20,495
Instructional Staff	1,091,862	991,861	966,450	25,411
Board of Education	179,790	187,790	182,699	5,091
Administration	904,803	874,803	851,590	23,213
Fiscal	462,574	462,574	433,888	28,686
Business	313,415	313,415	273,868	39,547
Operation and Maintenance of Plant	1,716,343	1,746,341	1,737,485	8,856
Pupil Transportation	854,264	874,264	864,371	9,893
Central	13,375	13,375	9,670	3,705
Extracurricular Activities	323,622	328,622	323,590	5,032
Intergovernmental	127,000	157,000	156,953	47
Total Disbursements	20,429,340	20,449,337	20,201,316	248,021
Excess of Receipts				
Under Disbursements	(451,401)	(471,398)	(1,254,166)	(782,768)
Other Financing Sources (Uses):				
Advances In	10,000	10,000		(10,000)
Advances Out	(5,000)	(5,000)		5,000
Transfers Out	(65,000)	(72,000)	(71,034)	966
Total Other Financing Sources (Uses)	(60,000)	(67,000)	(71,034)	(4,034)
Changes in Fund Balance	(511,401)	(538,398)	(1,325,200)	(786,802)
Fund Balance at Beginning of Year	3,879,549	3,879,549	3,879,549	
Prior Year Encumbrances Appropriated	373,625	373,625	373,625	
Fund Balance at End of Year	\$3,741,773	\$3,714,776	\$2,927,974	(\$786,802)

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$148,568	\$38,520
Cash and Cash Equivalents in Segregated Accounts		2,897
Total Assets	148,568	41,417
Net Assets:		
Endowments	129,080	
Held in Trust for Scholarships	19,488	
Held for Student Activities		36,825
Undistributed Assets		4,592
Total Net Assets	\$148,568	\$41,417

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Receipts:	
Interest	\$768
Miscellaneous	<u>995</u>
Total Receipts	<u>1,763</u>
 Disbursements:	
Non-instructional Services	<u>5,250</u>
Change in Net Assets	(3,487)
Net Assets at Beginning of Year	<u>152,055</u>
Net Assets at End of Year	<u><u>\$148,568</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1" DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1862. The School District serves an area of approximately eighty-one square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships. The School District is the 230th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-seven classified employees, one hundred fifty-two certified teaching personnel, and eighteen administrative employees who provide services to 2,198 students and other community members. The School District currently operates four school buildings and a service building.

Reporting Entity

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

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

The following activities are included within the reporting entity:

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

The School District participates in two jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Auglaize County Educational Academy, Southwestern Ohio Educational Purchasing Council Insurance Program, Mercer Auglaize School Employee Benefit Trust, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the St. Marys Community Public Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and the Building and Ohio School Facilities Commission capital projects funds.

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

Building Fund - The Building capital projects fund accounts for bond proceeds restricted to acquire, construct, or improve capital facilities based on locally funded initiatives.

Ohio School Facilities Fund - The Ohio School Facilities capital projects fund accounts for local taxes and a grant from the Ohio School Facilities Commission restricted for the construction and renovation of the School District's buildings.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

2. Fiduciary Funds

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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for non-instructional activities and various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the schedule of tax funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The schedule of tax funds indicates the projected receipts and disbursements for those funds receiving tax monies.

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately by an escrow agent for the payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2012, the School District's investments included nonnegotiable certificates of deposit, mutual funds, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 was \$6,675, which included \$928 assigned from other School District funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the General Fund include amounts required by State statute to be set aside for the purchase of textbooks and instructional materials and for the purchase of school buses.

For the Ohio School Facilities Commission Fund, the School District has resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

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

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for adult education programs, music and athletic programs, vocational programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance

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

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

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) 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.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the Board of Education.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

The School District first applies restricted resources when an expenditure is incurred for purposes for which restricted or unrestricted (committed, assigned, and unassigned) amounts are 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 can be used.

L. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. COMPLIANCE AND ACCOUNTABILITY

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

B. Accountability

At June 30, 2012, the Title 1 (572-9912), Title 1 (572-999) and Improving Teacher Quality (590-9912) special revenue funds had deficit balances of \$867, \$21,357, and \$448, respectively, resulting from disbursements in excess or receipts. The General Fund provides transfers or advances to cover deficit balances; however, this is done when cash is needed.

4. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,150,236 of the School District's bank balance of \$9,471,265 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of June 30, 2012, the School District had the following investments.

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months To Three Years</u>	<u>Over Three Years</u>
Mutual Funds	\$ 661,492	\$ 341,011	\$155,946	\$164,535
STAR Ohio	1,767,349	1,767,349		
Total	<u>\$2,428,841</u>	<u>\$2,108,360</u>	<u>\$155,946</u>	<u>\$164,535</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the School District from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the School District.

The School District invests in three mutual funds; one has a rating of Aaa by Moodys, the other two are not rated by a nationally recognized standard rating service. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District diversifies its investments by security, type, and institution. With the exception of direct obligations of the U. S. Treasury and STAR Ohio, no more than 50 percent of the School District's total investment portfolio is to be invested in a single security type or with a single financial institution.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES (Continued)

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$242,358,740	97.99%	\$242,727,190	97.91%
Public Utility	4,968,270	2.01	5,191,870	2.09
Total Assessed Value	<u>\$247,327,010</u>	<u>100.00%</u>	<u>\$247,919,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$58.15		\$58.55	

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with the Southwestern Ohio Educational Purchasing Council Insurance Program for the following insurance coverage.

Coverage provided by Selective Insurance Company is as follows:

General Liability:	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building	69,978,645
Contents	11,751,575

Coverage provided by Illinois National Insurance is as follows:

Board Legal	
Per Occurrence	\$1,000,000
Aggregate	1,000,000

Coverage provided by Genesis Insurance Company is as follows:

Excess Liability	\$ 5,000,000
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Coverage provided by Federal Insurance Company is as follows:

Boiler and Machinery	\$100,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years. The value of buildings insured decreased from the demolition of the old high school.

The School District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC), a public entity shared risk pool consisting of thirty-two school districts. The School District pays an annual premium to SOEPC for property and liability insurance coverage. The Executive Committee of SOEPC is responsible for its management and operation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. RISK MANAGEMENT (Continued)

The annual premium provides funding for the Aggregate Loss Fund, excess coverage, claims administration, and membership to SOEPC. The School District's risk within SOEPC is limited to any deductibles and the portion of the premium paid and held within the Aggregate Loss Fund.

All annual claims above the amount held within the Aggregate Loss Fund will be paid by the excess liability policy.

The School District participates in the Mercer Auglaize School Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program.

Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants of the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

7. CONTRACTUAL OBLIGATIONS

As of June 30, 2012, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Cardinal Bus Sales, Inc.	School Bus	\$83,204
Commercial Communications, Inc.	Upgrade Bus Radios	12,572
Fanning/Howey Associates, Inc.	Architectural Services	16,203
HAAS Factory Outlet	Toolroom Mill	29,046
MSA Sport	Athletic Complex	147,887
Norwalk Concrete Industries	Dug-Outs for Soccer Complex	38,250
Prograss LLC	Synthetic Turf	79,327
Saintignon Excavating Company, Inc.	Tennis Courts	233,476

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contribution. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$1,235,043 and \$23,148 for the fiscal year ended June 30, 2012, \$1,312,520 and \$16,377 for the fiscal year ended June 30, 2011, and \$1,362,726 and \$20,850 for the fiscal year ended June 30, 2010. For fiscal year 2012, 84 percent has been contributed for both the DBP and the CP, while the full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for the fiscal year 2012 was \$680 made by the School District and \$486 made by the plan members. In addition, member contributions of \$16,534 were made for fiscal year 2012 for the defined contribution portion of the CP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members were required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate amount four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$251,957, \$257,996, and \$280,809. For fiscal year 2012, 37 percent has been contributed, while the full amount has been contributed for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients for the most recent year pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the postemployment health care.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$96,836, \$102,228, and \$106,911 respectively. For fiscal year 2012, 84 percent has been contributed, while the full amount has been contributed for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, the surcharge amount was \$35,800. For fiscal year 2012, the School District paid \$32,562 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$10,912, \$31,239, and \$10,107, respectively. For fiscal year 2012, 37 percent has been contributed, while the full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$14,879, \$16,603, and \$16,699, respectively. For fiscal year 2012, 37 percent has been contributed, while the full amount has been contributed for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service.

All two hundred sixty day administrative personnel earn twenty days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and two hundred sixty day administrative personnel upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated without limit for all employees, except bus drivers who are limited to two hundred days. Upon retirement, payment is made for 28.5 percent of accrued but unused sick leave credit to a maximum of fifty-six days for all employees, except bus drivers. Bus drivers are eligible for 26.5 percent of accrued but unused sick leave credit to a maximum of fifty-three days.

B. Health Care Benefits

The School District offers medical and dental insurance to most employees through the Mercer Auglaize School Employee Benefit Trust. Vision insurance is provided through Vision Service Plan, Inc. In addition, the School District offers life insurance through American United Life Insurance Company.

C. Retirement Incentive

Through June 30, 2012, bus drivers with ten or more years of service with the School District who retire after May 31 in the year of initial eligibility will be paid an additional \$1,250 severance payment.

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds					
2008 School Improvement Bonds					
Serial Bonds 3.25-5%	\$14,165,000		\$430,000	\$13,735,000	\$560,000
Term Bonds 5%	10,265,000			10,265,000	
Capital Appreciation Bonds					
16.227%	224,998			224,998	
Total General Obligation Bonds	24,654,998		430,000	24,224,998	560,000
Asbestos Removal Loan 0%	76,889		45,377	31,512	31,512
Total Governmental Activities					
Long-Term Obligations	<u>\$24,731,887</u>	<u>\$0</u>	<u>475,377</u>	<u>\$24,256,510</u>	<u>\$591,512</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

2008 School Improvement General Obligation Bonds - On March 19, 2008, the School District issued \$25,749,998 in voted general obligation bonds to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$15,260,000, \$10,265,000, and \$224,998, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2036. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 6.9 mill voted property tax levy.

The term bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2029 through 2034 (with the balance of \$1,690,000 to be paid at stated maturity on December 1, 2035), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2029	\$1,260,000
2030	1,325,000
2031	1,390,000
2032	1,460,000
2033	1,530,000
2034	1,610,000

The serial bonds maturing on or after December 1, 2018, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after June 1, 2018, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount of the bonds is \$640,000.

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

The School District's overall debt margin was (\$1,561,456) with an un-voted debt margin of \$242,789 at June 30, 2012. On August 14, 2007, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2013	\$ 560,000	\$ 634,813		\$ 513,250
2014	600,000	611,887		513,250
2015		598,763		513,250
2016	660,000	585,563		513,250
2017	685,000	558,662		513,250
2018-2022	3,930,000	2,278,650		2,566,250
2023-2027	4,955,000	1,223,394		2,566,250
2028-2032	2,345,000	118,625	\$ 3,975,000	2,274,625
2033-2036			6,290,000	648,250
Totals	\$13,735,000	\$6,610,357	\$10,265,000	\$10,621,625

Fiscal Year Ending	General Obligation Bonds Capital Appreciation		Asbestos Removal Loan
	Principal	Interest	Principal
	2013		
2014			
2015	\$224,998	\$415,002	
Totals	\$224,998	\$415,002	\$31,512

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

12. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Building	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Adult Education				\$ 19,211	\$ 19,211
Athletics and Music				15,602	15,602
Capital Improvements	\$ 13,377	\$4,004,271	\$1,312,671	1,370,598	6,700,917
Debt Service				812,554	812,554
Food Service Operations				617,527	617,527
Non-Public Schools				14,030	14,030
Regular Instruction				10,421	10,421
Total Restricted	13,377	4,004,271	1,312,671	2,859,943	8,190,262

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assigned for:					
Educational Activities	24,475				24,475
Unpaid Obligations	534,009				534,009
Total Assigned for	558,484				558,484
Unassigned (Deficit)	2,903,804			(22,672)	2,881,132
Total Fund Balance	<u>\$3,475,665</u>	<u>\$4,004,271</u>	<u>\$1,312,671</u>	<u>\$2,837,271</u>	<u>\$11,629,878</u>

13. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2012.

	<u>Capital Improvements</u>
Balance June 30, 2011	\$ 0
Current Set Aside Requirement	367,607
Qualifying Expenditures	
Current Year Offsets	(367,607)
Balance June 30, 2012	<u>\$ 0</u>

14. INTERFUND TRANSFERS

During fiscal year 2012, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$45,377, to pay principal on the asbestos removal loan, and to other governmental funds, in the amount of \$25,657, to subsidize activities.

Other governmental funds made transfers, in the amount of \$130,157, to other governmental funds to fund the Ohio School Facilities maintenance requirement and subsidize activities.

15. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$129,080, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$19,488 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2011, the School District paid \$51,865 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

17. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Council Insurance Program

The School District participates in a public entity shared risk pool consisting of thirty-two school districts. The Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC) provides for property and liability insurance coverage.

SOEPC's business and affairs are conducted by an Executive Council of seven participating school administrators. Participation in SOEPC is by written application subject to acceptance by the Executive Council and the payment of the annual premium. The Administrator of SOEPC is Public Entity Marsh which coordinates the management, administration, claims management, and actuarial studies of SOEPC. Insurance premiums are paid to SOEPC. Financial information can be obtained from Public Entity Marsh, 525 Vine Street, Cincinnati, Ohio 45202.

B. Mercer Auglaize School Employee Benefit Trust

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

17. INSURANCE POOLS (Continued)

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Corporate One, 220 Perry Street, Suite 200, Fostoria, Ohio 44830

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

18. RELATED ORGANIZATION

The St. Marys Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the St. Marys City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Marys Community Public Library, 140 South Chestnut Street, St. Marys, Ohio 45885.

19. CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

20. SUBSEQUENT EVENTS

On December 6, 2012, the School District received a judgment entry from the Auglaize County Probate Court permitting the transfer of the Private Purpose Trust scholarship funds and the administration of the funds to the St. Marys Community Foundation. As a result the following funds and balances were removed from the School District's records:

007-9001 - Mooney Scholarship Loans	\$ 4,797.45
007-9002 - Stocker-Rison Scholarship	6,059.03
007-9015 - Stoker Pin	1,239.76
007-9018 - Geiger Scholarship	6,872.39
008-9002 - Rison Estate	59,352.54
008-9015 - Stoker Pin	500.00
008-9019 - Geiger Scholarship	<u>69,727.00</u>
Total	\$148,548.17

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$152,792		\$152,793
Cash Assistance:					
School Breakfast Program	10.553	\$75,814		\$75,814	
National School Lunch Program	10.555	449,911		449,911	
Total Nutrition Cluster		<u>525,725</u>	<u>152,792</u>	<u>525,725</u>	<u>152,793</u>
Total U.S. Department of Agriculture		<u>525,725</u>	<u>152,792</u>	<u>525,725</u>	<u>152,793</u>
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title 1 Cluster:					
Title 1 Grants to Local Educational Agencies	84.010	264,134		272,654	
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	<u>98,646</u>		<u>122,503</u>	
Total Title 1 Cluster		362,780		395,157	
Special Education Cluster:					
Special Education Grants to States	84.027	500,064		477,861	
ARRA Special Education Grants to States, Recovery Act	84.391	<u>18,469</u>		<u>23,655</u>	
Total Special Education Cluster		518,533		501,516	
Education Technology State Grants	84.318	2,650		2,860	
Improving Teacher Quality State Grants	84.367	83,315		76,535	
ARRA State Fiscal Stabilization Fund (SFSF)					
Education State Grants, Recovery Act	84.394			24,126	
ARRA State Fiscal Stabilization Fund (SFSF)					
Race-To-The-Top Incentive Grants, Recovery Act	84.395	1,400		1,400	
Education Jobs Fund	84.410	<u>562,083</u>		<u>562,083</u>	
Total U.S. Department of Education		<u>1,530,761</u>		<u>1,563,677</u>	
Total Federal Assistance		<u>\$2,056,486</u>	<u>\$152,792</u>	<u>\$2,089,402</u>	<u>\$152,793</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the St. Marys City School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2011 to 2012 programs:

Program Title	CFDA Number	Amount Transferred from 2011 to 2012
Title 1 Grants to Local Educational Agencies	84.010	\$ 3,005
Education Technology State Grants	84.318	210
Improving Teacher Quality State Grants	84.367	10,203

NOTE F – RETURN OF UNSPENT FUNDS

During March 2012, the School District returned to the Ohio Department of Education \$2,117 unspent Title I School Improvement CFDA 84.010 program funds.

NOTE G - PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by area Educational Service Centers (ESC). For 2012 the School District's allocations were as follows:

- Special Education Preschool Grant CFDA# 84.173: Auglaize County ESC..... \$24,372
- Title III, English Language Acquisition Grants CFDA# 84.365: Mercer County ESC.....\$ 1,764



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

St. Marys City School District
Auglaize County
100 West Spring Street
St. Marys, Ohio 45885

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, (the School District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 15, 2013, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District'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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 15, 2013.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

January 15, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

St. Marys City School District
Auglaize County
100 West Spring Street
St. Marys, Ohio 45885

To the Board of Education:

Compliance

We have audited the compliance of the St. Marys City School District, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with these requirements.

In our opinion, the St. Marys City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 15, 2013.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost
Auditor of State

January 15, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<p>Nutrition Cluster School Breakfast Program CFDA#10.553, National School Lunch Program CFDA #10.555</p> <p>Title I Cluster Title I Grants to Local Educational Agencies CFDA #84.010 and ARRA Title 1 Grants to Local Educational Agencies Recovery Act CFDA #84.389</p> <p>Education Jobs Fund CFDA #84.410</p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2012-01

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires all school districts to prepare its annual financial report in accordance with generally accepted accounting principles. The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare the annual financial statements according to generally accepted accounting principles to help provide the users with more meaningful financial statements.

OFFICIAL'S RESPONSE:

The Board of Education of St. Marys City Schools has opted to prepare its' financial statements using the "look alike" OCBOA presentation. The driving force behind this option is financial. The preparation costs, as well as the auditing costs, are considerably less with this OCBOA presentation than with a GAAP presentation. In addition, the AICPA has interpreted that this type of "look alike" OCBOA presentation is acceptable.

3. FINDINGS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – failure to prepare and file GAAP basis annual financial statement	No	Repeat as Finding 2012-01
2011-02	American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) and (c) – failed to report three single payments in excess of \$25,000 from the ARRA State Fiscal Stabilization Grant (CFDA #84.394)	Yes	
2011-03	2 CFR Part 225, Attachment B, Section 8(h)(3) – failed to certify wages for time spent on a single Federal award nor required personnel activity reports or equivalent documentation for wages of employees paid from the Title 1 Grants to Educational Agencies ((CFDA #84.010 and #84.389) and the Special Education Grants to States (CFDA #84.027 and #84.391)	Yes	ODE passed on further review as the School District had provided the necessary Time and Effort and Semi-Certification forms.