



Dave Yost • Auditor of State

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds.....	32
Statement of Fiduciary Assets and Liabilities - Fiduciary Fund	34
Notes to the Basic Financial Statements	35
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	73

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio (the City), as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 1, 2015

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The management's discussion and analysis of the City of St. Marys (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The total net position of the City decreased \$927,480. Net position of governmental activities decreased \$535,030 or 1.67% from 2013, and net position of business-type activities decreased \$392,450 or 1.53% from 2013.
- General revenues accounted for \$6,684,252 or 83.91% of total governmental activities revenue. Program specific revenues accounted for \$1,281,639 or 16.09% of total governmental activities revenue.
- The City had \$7,629,575 in expenses related to governmental activities; \$1,281,639 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$6,347,936 were offset by general revenues (primarily property taxes, income taxes, and unrestricted grants and entitlements) of \$6,684,252. The governmental activities also had transfers out totaling \$871,346.
- The City's major governmental funds include the general fund and the voted income tax fund. The general fund had revenues of \$4,969,226 in 2014. The expenditures and other financing uses of the general fund totaled \$5,489,513 in 2014. The general fund's increase in non-spendable inventory totaled \$24,227 in 2014. The net decrease in fund balance for the general fund was \$496,060 or 17.53%.
- The voted income tax fund had revenues of \$1,413,863 in 2014. The expenditures of the voted income tax fund totaled \$2,440,195 in 2014. The net decrease in fund balance for the voted income tax fund was \$1,026,332 or 33.67%.
- Net position for the business-type activities, which are made up of the water, sewer, electric, and refuse enterprise funds, decreased in 2014 by \$392,450.
- In the general fund, the actual revenues and other financing sources were \$102,942 greater than the final budgeted amounts, and actual expenditures and other financing uses were \$648,945 less than the final budgeted amounts. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources did not change from the original to the final budget. Budgeted expenditures and other financing uses decreased \$510,774 from the original to the final budget.

Using this Annual Financial Report

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

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

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 28-33 of this report.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 34 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-72 of this report.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2014 and December 31, 2013.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$12,348,634	\$13,759,368	\$14,562,689	\$14,787,920	\$26,911,323	\$28,547,288
Capital assets, net	20,237,406	19,443,576	27,471,778	28,461,134	47,709,184	47,904,710
Total assets	<u>32,586,040</u>	<u>33,202,944</u>	<u>42,034,467</u>	<u>43,249,054</u>	<u>74,620,507</u>	<u>76,451,998</u>
Liabilities:						
Other liabilities	256,119	328,424	2,045,004	2,025,742	2,301,123	2,354,166
Long-term liabilities	479,089	491,797	14,676,388	15,517,787	15,155,477	16,009,584
Total liabilities	<u>735,208</u>	<u>820,221</u>	<u>16,721,392</u>	<u>17,543,529</u>	<u>17,456,600</u>	<u>18,363,750</u>
Deferred Inflows of Resources	357,662	354,523	-	-	357,662	354,523
Net Position:						
Net investment in capital assets	20,212,406	19,406,576	17,208,955	17,608,205	37,421,361	37,014,781
Restricted	5,948,956	6,964,552	-	-	5,948,956	6,964,552
Unrestricted	5,331,808	5,657,072	8,104,120	8,097,320	13,435,928	13,754,392
Total net position	<u>\$31,493,170</u>	<u>\$32,028,200</u>	<u>\$25,313,075</u>	<u>\$25,705,525</u>	<u>\$56,806,245</u>	<u>\$57,733,725</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows of resources by \$56,806,245. At year end, net position was \$31,493,170 and \$25,313,075 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year end, capital assets represented 63.94% of total assets. Capital assets include land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure, and total \$20,237,406 and \$27,471,778 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

As of December 31, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities.

A portion of the City's net position, \$5,948,956, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$5,331,808 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for 2014 and 2013.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services and sales	\$781,279	\$748,863	\$22,204,926	\$21,766,947	\$22,986,205	\$22,515,810
Operating grants and contributions	391,956	413,624	-	-	391,956	413,624
Capital grants and contributions	108,404	136,719	-	-	108,404	136,719
Total program revenues	1,281,639	1,299,206	22,204,926	21,766,947	23,486,565	23,066,153
General revenues:						
Property taxes	1,220,043	1,219,538	-	-	1,220,043	1,219,538
Income taxes	4,731,806	4,335,464	-	-	4,731,806	4,335,464
Grants and entitlements not restricted	293,245	322,069	8,832	7,165	302,077	329,234
Investment earnings	59,541	53,946	19,183	19,532	78,724	73,478
Change in fair value of investments	79,344	(78,245)	-	-	79,344	(78,245)
Gain on sale of assets	-	-	198,250	-	198,250	-
Miscellaneous	300,273	206,778	386,574	278,432	686,847	485,210
Total general revenues	6,684,252	6,059,550	612,839	305,129	7,297,091	6,364,679
Total revenues	7,965,891	7,358,756	22,817,765	22,072,076	30,783,656	29,430,832
Expenses:						
General government	1,160,086	981,835	-	-	1,160,086	981,835
Security of persons and property	3,683,285	3,327,821	-	-	3,683,285	3,327,821
Public health and welfare	79,884	64,094	-	-	79,884	64,094
Transportation	2,188,514	1,989,235	-	-	2,188,514	1,989,235
Community environment	83,664	73,370	-	-	83,664	73,370
Leisure time activity	426,775	363,381	-	-	426,775	363,381
Interest and fiscal charges	7,367	5,369	-	-	7,367	5,369
Water	-	-	1,645,903	1,341,278	1,645,903	1,341,278
Sewer	-	-	2,160,258	2,025,063	2,160,258	2,025,063
Electric	-	-	19,463,684	19,938,855	19,463,684	19,938,855
Refuse	-	-	811,716	828,853	811,716	828,853
Total expenses	7,629,575	6,805,105	24,081,561	24,134,049	31,711,136	30,939,154
Increase (decrease) in net position before special items and transfers	336,316	553,651	(1,263,796)	(2,061,973)	(927,480)	(1,508,322)
Special items	-	-	-	915,535	-	915,535
Transfers	(871,346)	(853,270)	871,346	853,270	-	-
Change in net position	(535,030)	(299,619)	(392,450)	(293,168)	(927,480)	(592,787)
Net position at beginning of year	32,028,200	32,327,819	25,705,525	25,998,693	57,733,725	58,326,512
Net position at end of year	\$31,493,170	\$32,028,200	\$25,313,075	\$25,705,525	\$56,806,245	\$57,733,725

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

Governmental Activities

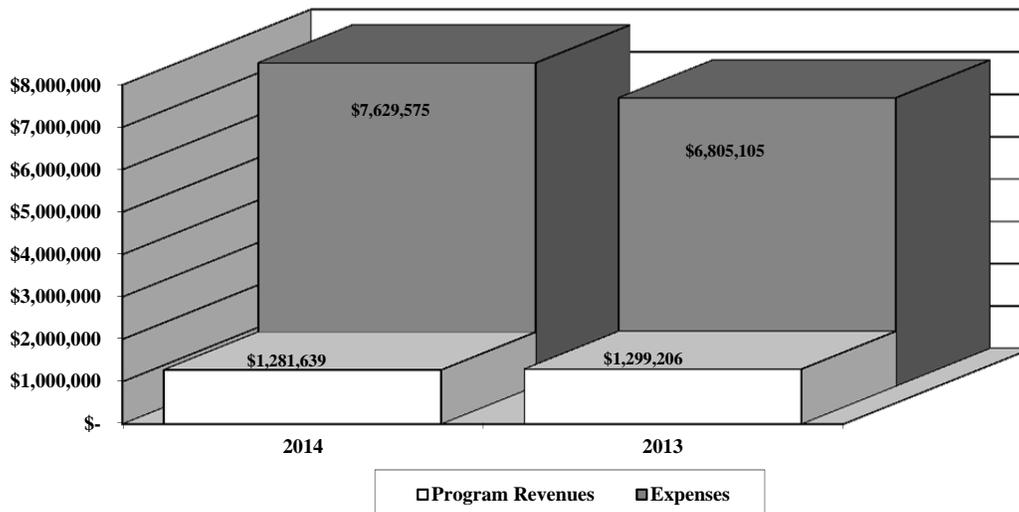
Overall, governmental activities net position decreased \$535,030 in 2014. Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$3,683,285 of the total expenses of the City. These expenses were partially funded by \$469,594 in direct charges to users of the services. Transportation expenses totaled \$2,188,514 and were partially funded by \$32,332 in direct charges to users of the services, \$371,181 in operating grants and contributions, and \$105,404 in capital grants and contributions.

The State and federal government contributed to the City a total of \$391,956 in operating grants and contributions and \$108,404 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$371,181 subsidized transportation programs, \$20,525 subsidized community environment expenses, and \$250 subsidized leisure time activities. Of the total capital grants and contributions, \$105,404 subsidized transportation programs and \$3,000 subsidized leisure time activities.

General revenues totaled \$6,684,252 or 83.91% of total governmental activities revenues. These revenues primarily consist of property and income tax revenue of \$5,951,849. Another primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$293,245 or 4.39% of the governmental activities general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following graph and table show, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues. The graph below illustrates the City's dependence upon general revenues, as program revenues are not sufficient to cover total governmental expenses.

Governmental Activities - Program Revenues vs. Total Expenses



**CITY OF ST. MARYS
AUGLAIZE COUNTY**

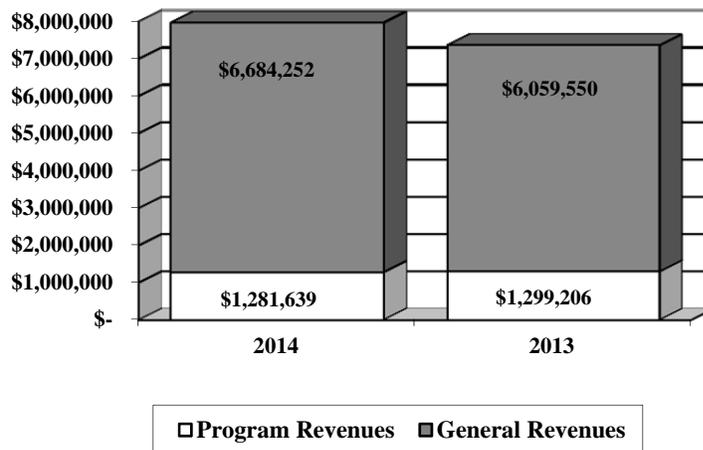
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

	Governmental Activities			
	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses:				
General government	\$1,160,086	\$988,987	\$981,835	\$825,713
Security of persons and property	3,683,285	3,213,691	3,327,821	2,859,441
Public health and welfare	79,884	68,876	64,094	54,978
Transportation	2,188,514	1,679,597	1,989,235	1,473,930
Community environment	83,664	59,420	73,370	23,449
Leisure time activity	426,775	329,998	363,381	263,019
Interest and fiscal charges	7,367	7,367	5,369	5,369
Total expenses	\$7,629,575	\$6,347,936	\$6,805,105	\$5,505,899

The dependence upon general revenues for governmental activities is apparent, with 83.20% of expenses supported through taxes and other general revenues.

The graph below illustrates the City's program revenues versus general revenues for 2014 and 2013.

Governmental Activities - General and Program Revenues



Business-type Activities

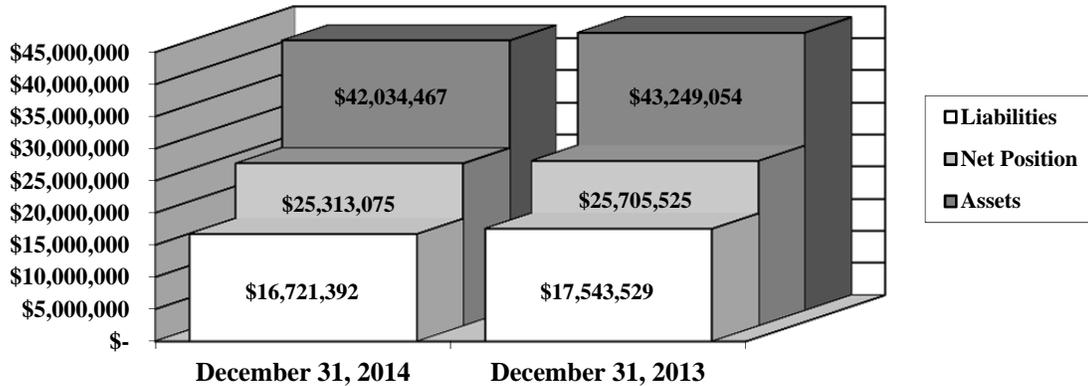
Business-type activities include the water, sewer, electric, and refuse enterprise funds. These programs had program revenues of \$22,204,926, general revenues of \$612,839, transfers in of \$871,346, and expenses of \$24,081,561 for 2014. The overall decrease in business-type activities net position is primarily due to electric fund operating expenses continuing to outpace operating revenues. Overall, the operating activities of all the City's enterprise funds remained comparable to the prior year.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

The graph below illustrates the assets, liabilities, and net position of the City's business-type activities at December 31, 2014 and December 31, 2013.

Net Position of Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds, as presented on the balance sheet on page 23, reported a combined fund balance of \$10,604,044, which is \$1,495,232 less than last year's total of \$12,099,276. The table below indicates the fund balances and the total change in fund balances as of December 31, 2014 and December 31, 2013 for all major and non-major governmental funds.

	<u>Fund Balances</u> <u>December 31, 2014</u>	<u>Fund Balances</u> <u>December 31, 2013</u>	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$2,334,196	\$2,830,256	(\$496,060)
Voted income tax	2,022,035	3,048,367	(1,026,332)
Non-major governmental funds	6,247,813	6,220,653	27,160
Total	<u>\$10,604,044</u>	<u>\$12,099,276</u>	<u>(\$1,495,232)</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

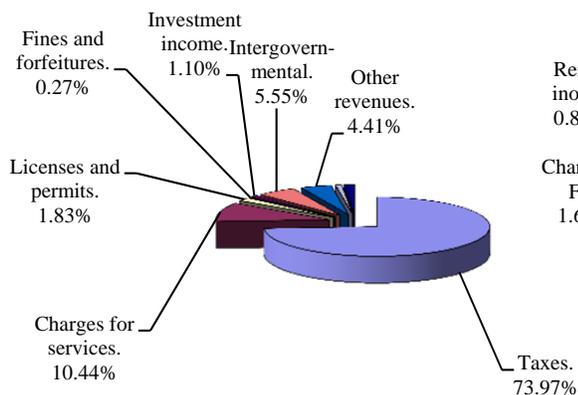
General Fund

The City's general fund balance decreased \$496,060. The table that follows assists in illustrating the revenues of the general fund for 2014 and 2013.

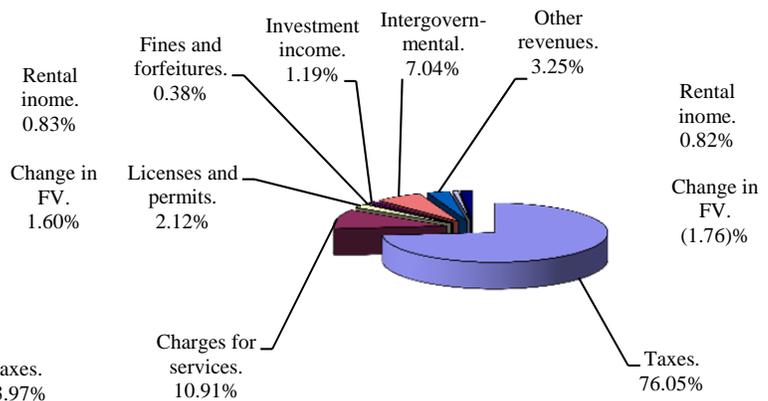
	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Percentage Change</u>	
Revenues:				
Taxes	\$3,675,674	\$3,376,704	8.85	%
Charges for services	518,944	484,287	7.16	%
Licenses and permits	90,726	94,318	(3.81)	%
Fines and forfeitures	13,325	16,702	(20.22)	%
Intergovernmental	275,599	312,672	(11.86)	%
Investment income	54,819	53,059	3.32	%
Change in fair value of investments	79,344	(78,245)	201.40	%
Rental income	41,500	36,541	13.57	%
Other	219,295	144,259	52.01	%
Total	<u>\$4,969,226</u>	<u>\$4,440,297</u>	<u>11.91</u>	<u>%</u>

Overall revenues of the general fund increased \$528,929 or 11.91%. Tax revenue increased \$298,970 or 8.85% mainly due to an increase in income taxes, which is attributable to an ordinance passed by the City in November of 2014 that increased the allocation of income tax collections reported in the general fund. The general fund reported a decrease in fair value of investments during 2013 due to the declining value of federal agency securities within the City's investment portfolio. However, during 2014 the performance of the City's investment portfolio improved and the City was able to report an increase in fair value of investments in the amount of \$79,344. Other revenues increased \$75,036 or 52.01%, which is primarily due to refunds and reimbursements received from the Ohio Bureau of Workers' Compensation and Auglaize County. All other general fund revenues remained comparable to the prior year.

Revenues - 2014



Revenues - 2013



**CITY OF ST. MARYS
AUGLAIZE COUNTY**

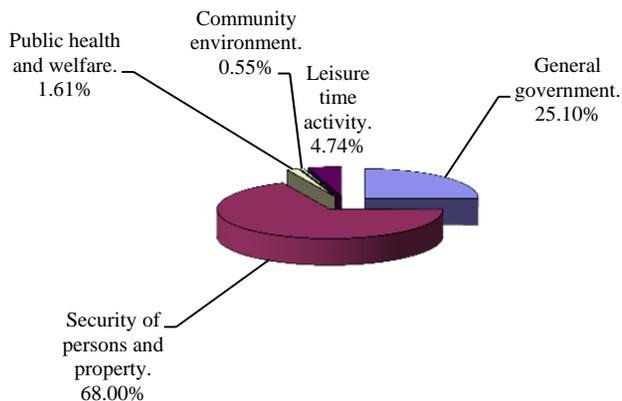
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

The table that follows assists in illustrating the expenditures of the general fund for 2014 and 2013.

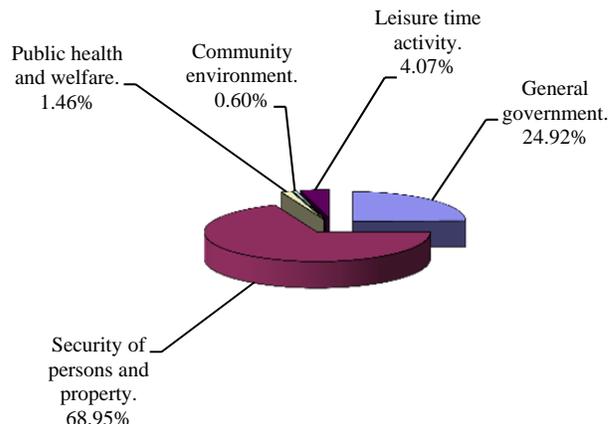
Expenditures:	2014 Amount	2013 Amount	Percentage Change
General government	\$1,060,473	\$980,927	8.11 %
Security of persons and property	2,872,993	2,713,571	5.87 %
Public health and welfare	68,227	57,279	19.11 %
Community environment	23,051	23,646	(2.52) %
Leisure time activity	200,423	160,182	25.12 %
Total	\$4,225,167	\$3,935,605	7.36 %

Overall expenditures of the general fund increased \$289,562 or 7.36%. Security of persons and property expenditures increased \$159,422 or 5.87% primarily due to increased costs attributable to both the police department and fire department during 2014. Leisure time activity expenditures increased \$40,241 or 25.12% mainly due to an increase in expenditures incurred by the parks and recreation department. All other general fund expenditures remained comparable to the prior year.

Expenditures – 2014



Expenditures - 2013



Voted Income Tax Fund

The voted income tax fund had revenues of \$1,413,863 in 2014. The expenditures of the voted income tax fund totaled \$2,440,195 in 2014. The net decrease in fund balance for the voted income tax fund was \$1,026,332 or 33.67%. This decrease in fund balance is primarily attributable to street program expenditures and other capital projects paid for by the City during 2014.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

Budgeting Highlights - General Fund

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

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources were \$102,942 greater than the final budgeted amounts, and actual expenditures and other financing uses were \$648,945 less than the final budgeted amounts. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources did not change from the original to the final budget. Budgeted expenditures and other financing uses decreased \$510,774 from the original to the final budget.

Proprietary Funds

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

Water Fund

The water fund had operating revenues of \$1,504,194 in 2014. The operating expenses of the water fund totaled \$1,644,172 in 2014. The water fund had non-operating revenues of \$1,478 in 2014. The decrease in net position for the water fund was \$138,500 or 2.53%.

Sewer Fund

The sewer fund had operating revenues of \$2,016,141 in 2014. The operating expenses of the sewer fund totaled \$1,836,874 in 2014. The sewer fund had non-operating revenues of \$2,984 and non-operating expenses of \$321,608 in 2014. The decrease in net position for the sewer fund was \$139,357 or 1.79%.

Electric Fund

The electric fund had operating revenues of \$18,171,280 in 2014. The operating expenses of the electric fund totaled \$19,318,984 in 2014. The electric fund had non-operating revenues of \$221,243 and non-operating expenses of \$142,275 in 2014. The electric fund also received transfers in of \$871,346. The decrease in net position for the electric fund was \$197,390 or 1.73%.

Refuse Fund

The refuse fund had operating revenues of \$899,885 in 2014. The operating expenses of the refuse fund totaled \$807,317 in 2014. The refuse fund had non-operating revenues of \$560 in 2014. The increase in net position for the refuse fund was \$93,128 or 9.05%.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

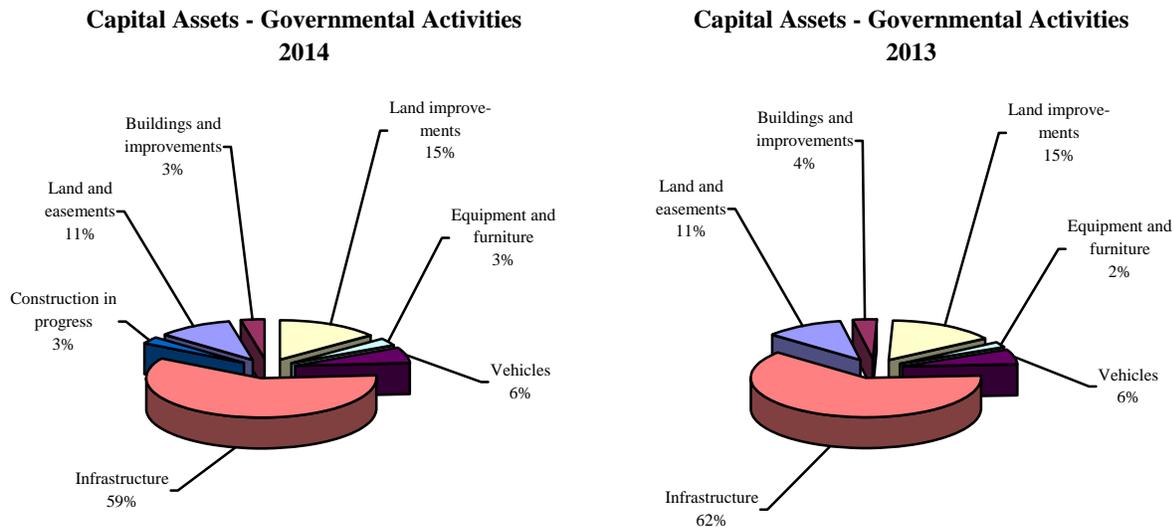
Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the City had \$47,709,184 (net of accumulated depreciation) invested in land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure. Of this total, \$20,237,406 was reported in governmental activities and \$27,471,778 was reported in business-type activities. The following table shows December 31, 2014 balances compared to December 31, 2013.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and easements	\$2,163,806	\$2,146,694	\$1,221,910	\$1,221,910	\$3,385,716	\$3,368,604
Construction in progress	587,000	-	-	38,000	587,000	38,000
Land improvements	2,943,223	2,946,668	3,881,321	4,160,177	6,824,544	7,106,845
Buildings and improvements	632,455	663,132	10,059,249	10,640,834	10,691,704	11,303,966
Equipment and furniture	604,801	448,117	1,449,948	1,379,316	2,054,749	1,827,433
Vehicles	1,283,053	1,192,856	1,009,205	799,244	2,292,258	1,992,100
Infrastructure	12,023,068	12,046,109	9,850,145	10,221,653	21,873,213	22,267,762
Total	\$20,237,406	\$19,443,576	\$27,471,778	\$28,461,134	\$47,709,184	\$47,904,710

The following graphs show the breakdown of governmental activities capital assets by category at December 31, 2014 and December 31, 2013.

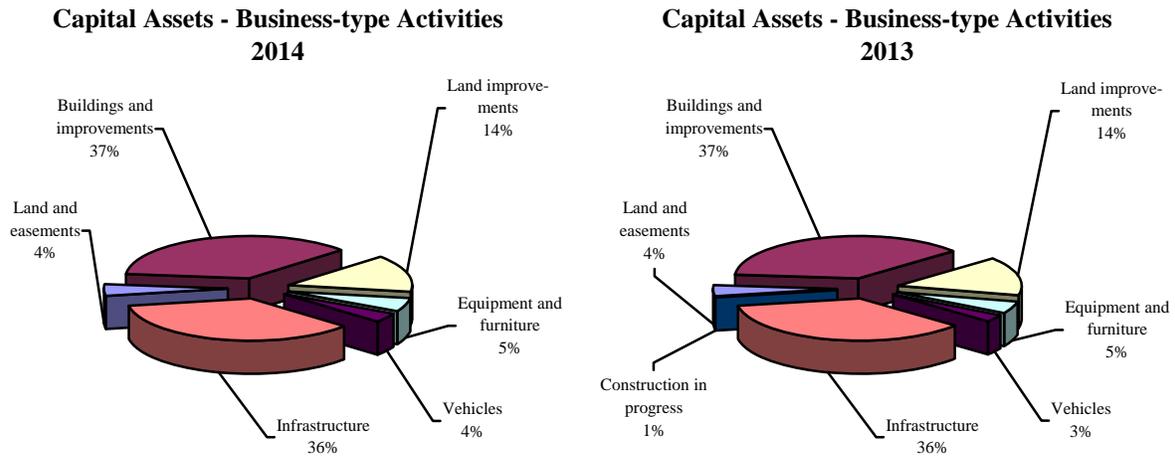


The City's largest governmental activities capital asset category is infrastructure, which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 59% of the City's total governmental activities capital assets.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

The following graphs show the breakdown of business-type activities capital assets by category at December 31, 2014 and December 31, 2013.



The City's largest business-type activities capital asset categories are buildings and improvements and infrastructure. The buildings and improvements asset category represents approximately 37% of the City's total business-type activities capital assets. Infrastructure items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 36% of the City's total business-type activities capital assets. Additional information on the City's capital assets can be found in Note 11.

Debt Administration

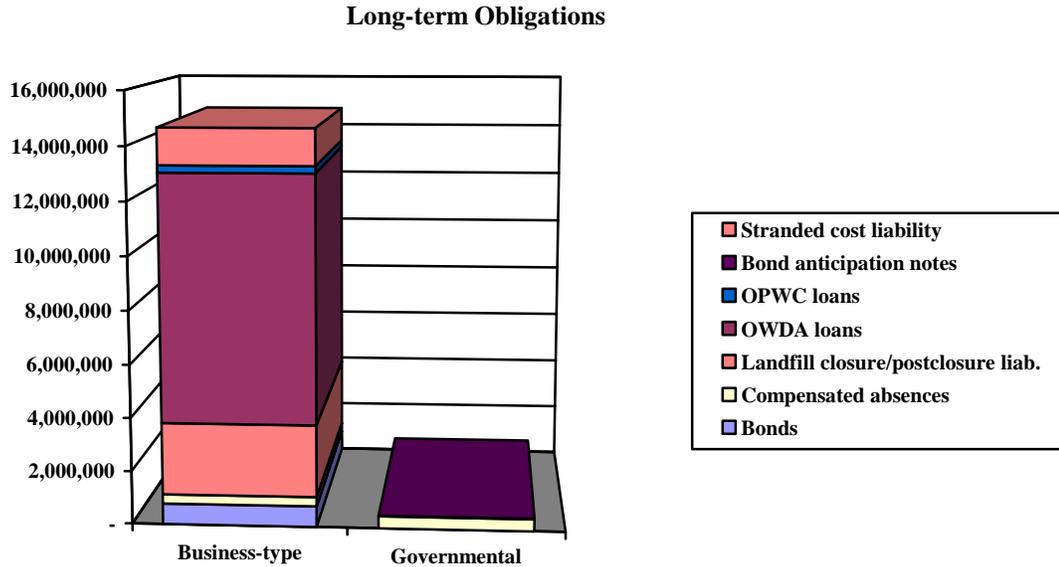
The City had the following long-term obligations outstanding at December 31, 2014 and December 31, 2013.

	Governmental Activities	
	2014	2013
Bond anticipation notes	\$25,000	\$37,000
Compensated absences	454,089	454,797
Total long-term obligations	<u>\$479,089</u>	<u>\$491,797</u>
	Business-type Activities	
General obligation bonds	\$779,170	\$888,224
Stranded cost liability	1,358,370	1,535,841
OWDA loans	9,221,153	9,687,205
OPWC loans	262,500	277,500
Landfill closure/post-closure liability	2,703,086	2,806,067
Compensated absences	352,109	322,950
Total long-term obligations	<u>\$14,676,388</u>	<u>\$15,517,787</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

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



Additional information on the City's debt administration can be found in Note 13.

Economic Conditions and Outlook

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

Setex was the first Japanese company to call the City its home when it started the production of automobile seats for Honda in 1988. Over the past 25 years, Setex has experienced significant growth with employment levels increasing from the initial 65 employees to the current 500+ employees. Setex also increased production capacity significantly by first doubling the size of their initial plant and later constructing a new weld facility for the production of seat frames for a variety of automobiles. Setex currently produces about 7,000 frames per day. In 2012, Setex celebrated the manufacture of its 5 millionth seat. Setex continues to manage multiple lines including a new Acura line for Honda that began production in July of 2014. Construction was completed in 2013 on a 40,000± square-foot building expansion to accommodate the new line, and in 2014 the company hired approximately 120 new employees needed to meet new production goals.

AAP St. Marys Corporation, a division of Hitachi Metals America Ltd., established their aluminum wheel casting plant in the City in 1989. AAP St. Marys has also experienced tremendous growth with employment levels increasing from the initial 65 employees to the current 570 employees. With product demand back to pre-recession levels, AAP St. Marys is experiencing continued growth. In 2013, AAP St. Marys completed construction of a 93,000± square-foot addition to its current facility to accommodate needs for increased production. The company hired over 30 new employees in 2014 and continues accepting applications to maintain employment levels. AAP St. Marys is a key to the stability of the industrial base in the City.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

The City has several other manufacturing facilities that add stability to the local economy. Parker Hannifin Corporation, a manufacturer of hydraulic cylinder components, employs approximately 134 employees and is experiencing business growth. The company constructed its 130,000± square-foot St. Marys plant in 2000 and has additional acreage on site for new growth. Omni Manufacturing, Inc., a metal tooling and stamping plant, has enjoyed steady growth with an employment level near 140. The company will be constructing an addition to its existing plant in 2015 and is projecting job growth and significant new investment in machinery and equipment. Murotech Ohio (MTO) has steadily grown, hiring additional employees in 2014 to meet production demand, now employing approximately 129. The company has regularly expanded its operations and continues to plan for future investment in equipment and job creation. In 2013, Murotech Ohio obtained a permit to construct an additional 15,000 square feet of space on its current facility. The St. Marys Foundry, Pro-Pet, Classic Delight, and others combine to offer diverse manufacturing jobs for families in the St. Marys area.

The Joint Township District Memorial Hospital (JTDMH) remains the top non-manufacturing sector employer with approximately 600 employees. The hospital is considered a top health care facility in the United States and continues to improve services and upgrade the facility. A new ambulatory surgery center was opened in 2013. A new pain management clinic and a new neurological center were opened in 2014. JTDMH is acquiring additional land to accommodate future growth.

Retail growth was very strong in St. Marys in the recent past with construction of the Shoppes at St. Marys commercial development, which includes Kroger and Kohl's as anchor tenants. Superior Federal Credit Union recently opened a new banking facility on a commercial outlot in the development. In 2014, Circle K constructed a new gas station and convenience store in the downtown area. The Community Improvement Corporation of St. Marys (CIC) was also active in the downtown during 2014, acquiring and making improvements to a historic commercial building in the heart of the downtown. The CIC continues to improve and lease commercial space in the downtown area.

Veyance Technologies, Inc., formerly the Goodyear Tire & Rubber Company, increased employment at its manufacturing facility in the City during 2013 and 2014, employing approximately 425 locally. The primary product of the plant for many years has been rubber tracks and wheels for agricultural equipment. The company also makes industrial conveyor belts and rubber tank treads for use on U.S. Army battle tanks. Veyance managed to keep the local Engineered Products Plant competitive and responsive to global market changes, which drew the attention of Continental AG, a Germany-based manufacturer looking to expand its share of the industrial rubber track market. Continental AG completed acquisition of the St. Marys plant in 2014, and placed the plant in its ContiTech division. The local plant is still exploring the potential for major capital investments in machinery and equipment over the next few years. During 2013, Veyance made a significant investment in extending a high-pressure gas line to the facility in order to convert the company's furnaces to natural gas, making them more efficient and cost-effective. That investment, along with certain assets at the St. Marys plant and the room for expansion at the plant, are positive signs for the future of the facility.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(Continued)**

For the Future

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

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

The rich history of the City dates back to the early 1800's when "canal fever" swept over Ohio. It provided the City with the opportunity to become part of a canal system highway that would run from the Miami River to Lake Erie. After completion of the canal, Grand Lake St. Marys (formerly The Grand Reservoir) was completed in 1845 to help maintain the water levels in the canal. Grand Lake St. Marys is now a tourist area in Ohio, providing recreational opportunities such as boating and fishing for visitors and residents alike.

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

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

From the early canal days and into the 21st century, industry has found a home in the City. Businesses have been retained, with many undergoing expansions. The cooperative attitude between business and government has also resulted in many new industrial additions to the community over the past 20 years.

Contacting the City's Financial Management

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$9,197,262	\$10,724,887	\$19,922,149
Cash in segregated accounts	5,172	99,125	104,297
Receivables (net of allowance for uncollectibles):			
Income taxes	892,455		892,455
Real and other taxes	372,484	69,840	442,324
Accounts	44,491	2,109,097	2,153,588
Special assessments	213,745	2,845	216,590
Loans	1,015,750		1,015,750
Notes	124,109		124,109
Accrued interest	14,341		14,341
Internal balance	(50,591)	50,591	
Due from other governments	297,620	8,900	306,520
Prepayments	64,106	91,909	156,015
Materials and supplies inventory	108,939	446,279	555,218
Investment in joint venture		589,402	589,402
Restricted assets:			
Refundable cash deposits		369,814	369,814
Cash with fiscal agent	48,751		48,751
Capital assets:			
Non-depreciable capital assets	2,750,806	1,221,910	3,972,716
Depreciable capital assets, net	17,486,600	26,249,868	43,736,468
Total capital assets, net	<u>20,237,406</u>	<u>27,471,778</u>	<u>47,709,184</u>
Total assets	<u>32,586,040</u>	<u>42,034,467</u>	<u>74,620,507</u>
Liabilities:			
Accounts payable	94,580	1,546,589	1,641,169
Accrued wages and benefits	89,756	77,493	167,249
Due to other governments	69,266	51,108	120,374
Judgments payable	2,500		2,500
Accrued interest payable	17		17
Payable from restricted assets:			
Refundable cash deposits		369,814	369,814
Long-term liabilities:			
Due within one year	129,471	897,907	1,027,378
Due in more than one year	349,618	13,778,481	14,128,099
Total liabilities	<u>735,208</u>	<u>16,721,392</u>	<u>17,456,600</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	357,662		357,662
Net position:			
Net investment in capital assets	20,212,406	17,208,955	37,421,361
Restricted for:			
Capital projects	2,416,022		2,416,022
Debt service	67,335		67,335
Transportation projects	1,197,018		1,197,018
Community improvements	2,123,003		2,123,003
Other purposes	145,578		145,578
Unrestricted	5,331,808	8,104,120	13,435,928
Total net position	<u>\$31,493,170</u>	<u>\$25,313,075</u>	<u>\$56,806,245</u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Charges for Services and Sales	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$1,160,086	\$171,099		
Security of persons and property	3,683,285	469,594		
Public health and welfare	79,884	11,008		
Transportation	2,188,514	32,332	\$371,181	\$105,404
Community environment	83,664	3,719	20,525	
Leisure time activity	426,775	93,527	250	3,000
Interest and fiscal charges	7,367			
Total governmental activities	7,629,575	781,279	391,956	108,404
Business-type activities:				
Water	1,645,903	1,432,822		
Sewer	2,160,258	1,962,014		
Electric	19,463,684	17,945,541		
Refuse	811,716	864,549		
Total business-type activities	24,081,561	22,204,926		
Total primary government	\$31,711,136	\$22,986,205	\$391,956	\$108,404

General revenues:

Property taxes levied for:

General purposes
Special purposes

Income taxes levied for:

General purposes
Special purposes
Capital projects
Grants and entitlements not restricted
to specific programs
Investment earnings
Increase in fair value of investments
Gain on sale of assets
Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements.

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

Governmental Activities	Business-type Activities	Total
(\$988,987)		(\$988,987)
(3,213,691)		(3,213,691)
(68,876)		(68,876)
(1,679,597)		(1,679,597)
(59,420)		(59,420)
(329,998)		(329,998)
(7,367)		(7,367)
<u>(6,347,936)</u>		<u>(6,347,936)</u>
	(\$213,081)	(213,081)
	(198,244)	(198,244)
	(1,518,143)	(1,518,143)
	52,833	52,833
	<u>(1,876,635)</u>	<u>(1,876,635)</u>
<u>(6,347,936)</u>	<u>(1,876,635)</u>	<u>(8,224,571)</u>
1,125,271		1,125,271
94,772		94,772
2,667,934		2,667,934
495,334		495,334
1,568,538		1,568,538
293,245	8,832	302,077
59,541	19,183	78,724
79,344		79,344
	198,250	198,250
300,273	386,574	686,847
<u>6,684,252</u>	<u>612,839</u>	<u>7,297,091</u>
<u>(871,346)</u>	<u>871,346</u>	
<u>5,812,906</u>	<u>1,484,185</u>	<u>7,297,091</u>
(535,030)	(392,450)	(927,480)
<u>32,028,200</u>	<u>25,705,525</u>	<u>57,733,725</u>
<u>\$31,493,170</u>	<u>\$25,313,075</u>	<u>\$56,806,245</u>

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**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Voted Income Tax</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$2,097,832	\$1,929,665	\$5,157,179	\$9,184,676
Cash in segregated accounts	5,172			5,172
Receivables:				
Income taxes	487,905	297,455	107,095	892,455
Real and other taxes	294,521		77,963	372,484
Accounts	44,491			44,491
Special assessments			213,745	213,745
Loans			1,015,750	1,015,750
Notes			124,109	124,109
Accrued interest	14,341			14,341
Due from other funds	67,403			67,403
Due from other governments	110,554		187,066	297,620
Prepayments	55,988		8,118	64,106
Materials and supplies inventory	59,673		16,494	76,167
Restricted assets:				
Cash with fiscal agent			48,751	48,751
Total assets	<u>3,237,880</u>	<u>2,227,120</u>	<u>6,956,270</u>	<u>12,421,270</u>
Liabilities:				
Accounts payable	33,929	12,871	47,780	94,580
Accrued wages and benefits payable	70,342	3,122	14,758	88,222
Compensated absences payable	20,496			20,496
Interfund loans payable			122,560	122,560
Due to other governments	55,368	2,508	10,244	68,120
Judgments payable	2,500			2,500
Total liabilities	<u>182,635</u>	<u>18,501</u>	<u>195,342</u>	<u>396,478</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	282,677		74,985	357,662
Income tax revenue not available	306,047	186,584	67,177	559,808
Delinquent property tax revenue not available	3,689		814	4,503
Accrued interest not available	13,520			13,520
Special assessments revenue not available			213,745	213,745
Intergovernmental revenue not available	91,750		156,394	248,144
Licenses and permits revenue not available	23,366			23,366
Total deferred inflows of resources	<u>721,049</u>	<u>186,584</u>	<u>513,115</u>	<u>1,420,748</u>
Fund balances:				
Non-spendable	118,313		24,612	142,925
Restricted		2,022,035	3,505,539	5,527,574
Committed			2,816,542	2,816,542
Assigned	411,024			411,024
Unassigned (deficit)	1,804,859		(98,880)	1,705,979
Total fund balances	<u>2,334,196</u>	<u>2,022,035</u>	<u>6,247,813</u>	<u>10,604,044</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,237,880</u>	<u>\$2,227,120</u>	<u>\$6,956,270</u>	<u>\$12,421,270</u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Total governmental fund balances		\$10,604,044
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.		20,214,906
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	\$559,808	
Real and other taxes receivable	4,503	
Accounts receivable	23,366	
Special assessments receivable	213,745	
Accrued interest receivable	13,520	
Due from other governments	248,144	
Total	1,063,086	1,063,086
The internal service fund is used by management to charge the costs of the maintenance garage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of \$(4,566), is:		69,744
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Bond anticipation notes payable	(25,000)	
Compensated absences payable	(433,593)	
Accrued interest payable	(17)	
Total	(458,610)	(458,610)
Net position of governmental activities		\$31,493,170

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Voted Income Tax</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$2,550,057	\$1,350,122	\$663,841	\$4,564,020
Real and other taxes	1,125,617		94,848	1,220,465
Charges for services	518,944		65,709	584,653
Licenses and permits	90,726			90,726
Fines and forfeitures	13,325		1,540	14,865
Intergovernmental	275,599	29,829	487,663	793,091
Special assessments			58,885	58,885
Investment income	54,819	352	22,109	77,280
Increase in fair value of investments	79,344			79,344
Rental income	41,500			41,500
Contributions and donations	1,431		3,365	4,796
Other	217,864	33,560	55,906	307,330
Total revenues	<u>4,969,226</u>	<u>1,413,863</u>	<u>1,453,866</u>	<u>7,836,955</u>
Expenditures:				
Current:				
General government	1,060,473			1,060,473
Security of persons and property	2,872,993		400,669	3,273,662
Public health and welfare	68,227			68,227
Transportation			1,029,069	1,029,069
Community environment	23,051		8,740	31,791
Leisure time activity	200,423		78,230	278,653
Capital outlay		2,440,195	284,442	2,724,637
Debt service:				
Principal retirement			37,000	37,000
Interest and fiscal charges			7,413	7,413
Total expenditures	<u>4,225,167</u>	<u>2,440,195</u>	<u>1,845,563</u>	<u>8,510,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>744,059</u>	<u>(1,026,332)</u>	<u>(391,697)</u>	<u>(673,970)</u>
Other financing sources (uses):				
Note issuance			25,000	25,000
Transfers in			413,276	413,276
Transfers out	(1,264,346)		(20,276)	(1,284,622)
Total other financing sources (uses)	<u>(1,264,346)</u>		<u>418,000</u>	<u>(846,346)</u>
Net change in fund balances	(520,287)	(1,026,332)	26,303	(1,520,316)
Fund balances at beginning of year	2,830,256	3,048,367	6,220,653	12,099,276
Increase in non-spendable inventory	24,227		857	25,084
Fund balances at end of year	<u>\$2,334,196</u>	<u>\$2,022,035</u>	<u>\$6,247,813</u>	<u>\$10,604,044</u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds		(\$1,520,316)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. Both amounts are exclusive of internal service fund activity.</p>		
Capital asset additions	\$2,317,108	
Current year depreciation	<u>(1,520,278)</u>	
Total		796,830
<p>Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.</p>		
		25,084
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Income taxes	167,786	
Real and other taxes	(422)	
Licenses and permits	17,203	
Special assessments	(26,553)	
Intergovernmental	(23,382)	
Investment income	2,792	
Other	<u>(8,488)</u>	
Total		128,936
<p>Proceeds of bond anticipation notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net position.</p>		
		(25,000)
<p>In the statement of activities, interest is accrued on outstanding long-term liabilities, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		46
<p>Principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.</p>		
		37,000
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		21,204
<p>The internal service fund used by management to charge the costs of the maintenance garage to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity of \$(10,331), is allocated among the governmental activities.</p>		
		<u>1,186</u>
Change in net position of governmental activities		<u><u>(\$535,030)</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Income taxes	\$2,472,952	\$2,472,952	\$2,526,333	\$53,381
Real and other taxes	1,105,283	1,105,283	1,129,142	23,859
Charges for services	513,876	513,876	524,969	11,093
Licenses, permits and fees	88,809	88,809	90,726	1,917
Fines and forfeitures	13,303	13,303	13,590	287
Intergovernmental	268,673	268,673	274,473	5,800
Investment income	53,530	53,530	54,686	1,156
Rental income	40,623	40,623	41,500	877
Contributions and donations	1,401	1,401	1,431	30
Other	204,016	204,016	208,420	4,404
Total revenues	<u>4,762,466</u>	<u>4,762,466</u>	<u>4,865,270</u>	<u>102,804</u>
Expenditures:				
Current:				
General government	1,448,651	1,338,817	1,132,559	206,258
Security of persons and property	3,485,788	3,221,501	2,883,269	338,232
Public health and welfare	108,509	100,282	75,898	24,384
Community environment	33,489	30,950	27,822	3,128
Leisure time activity	273,924	253,156	193,213	59,943
Total expenditures	<u>5,350,361</u>	<u>4,944,706</u>	<u>4,312,761</u>	<u>631,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(587,895)</u>	<u>(182,240)</u>	<u>552,509</u>	<u>734,749</u>
Other financing sources (uses):				
Sale of capital assets	6,376	6,376	6,514	138
Transfers out	<u>(1,386,465)</u>	<u>(1,281,346)</u>	<u>(1,264,346)</u>	<u>17,000</u>
Total other financing sources (uses)	<u>(1,380,089)</u>	<u>(1,274,970)</u>	<u>(1,257,832)</u>	<u>17,138</u>
Net change in fund balance	(1,967,984)	(1,457,210)	(705,323)	751,887
Fund balance at beginning of year	2,498,024	2,498,024	2,498,024	
Prior year encumbrances appropriated	159,524	159,524	159,524	
Fund balance at end of year	<u>\$689,564</u>	<u>\$1,200,338</u>	<u>\$1,952,225</u>	<u>\$751,887</u>

See accompanying notes to the basic financial statements.

CITY OF ST. MARYS
AUGLAIZE COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Refuse</u>
Assets:				
Current assets:				
Equity in pooled cash and investments	\$821,934	\$1,614,147	\$6,031,639	\$2,257,167
Cash in segregated accounts			99,125	
Receivables:				
Real and other taxes			69,840	
Accounts	135,725	187,455	1,709,998	75,919
Special assessments	254	871		1,720
Interfund loans			122,560	
Due from other governments				8,900
Prepayments	10,925	10,728	64,083	6,173
Materials and supplies inventory	176,163	36,235	224,378	9,503
Total current assets	<u>1,145,001</u>	<u>1,849,436</u>	<u>8,321,623</u>	<u>2,359,382</u>
Non-current assets:				
Restricted assets:				
Refundable cash deposits			369,814	
Investment in joint venture			589,402	
Capital assets:				
Non-depreciable capital assets	232,462	171,940	513,813	303,695
Depreciable capital assets, net	4,152,466	15,161,440	5,695,205	1,240,757
Total capital assets, net	<u>4,384,928</u>	<u>15,333,380</u>	<u>6,209,018</u>	<u>1,544,452</u>
Total non-current assets	<u>4,384,928</u>	<u>15,333,380</u>	<u>7,168,234</u>	<u>1,544,452</u>
Total assets	<u>5,529,929</u>	<u>17,182,816</u>	<u>15,489,857</u>	<u>3,903,834</u>
Liabilities:				
Current liabilities:				
Accounts payable	6,969	7,582	1,513,083	18,955
Accrued wages and benefits	23,016	12,368	33,078	9,031
Compensated absences payable	48,291	7,988	19,127	10,895
Due to other funds			67,403	
Due to other governments	12,007	8,635	24,117	6,349
Current portion of general obligation bonds payable			114,763	
Current portion of OWDA loans payable		481,843		
Current portion of OPWC loans payable		15,000		
Current portion of AMP-Ohio stranded cost payable			200,000	
Payable from restricted assets:				
Refundable cash deposits			369,814	
Total current liabilities	<u>90,283</u>	<u>533,416</u>	<u>2,341,385</u>	<u>45,230</u>
Long-term liabilities:				
Compensated absences payable	114,549	36,990	80,479	33,790
General obligation bonds payable			664,407	
OWDA loans payable		8,739,310		
OPWC loans payable		247,500		
AMP-Ohio stranded cost payable			1,158,370	
Landfill closure/postclosure liability				2,703,086
Total long-term liabilities	<u>114,549</u>	<u>9,023,800</u>	<u>1,903,256</u>	<u>2,736,876</u>
Total liabilities	<u>204,832</u>	<u>9,557,216</u>	<u>4,244,641</u>	<u>2,782,106</u>
Net position:				
Net investment in capital assets	4,384,928	5,849,727	5,429,848	1,544,452
Unrestricted (deficit)	940,169	1,775,873	5,815,368	(422,724)
Total net position	<u>\$5,325,097</u>	<u>\$7,625,600</u>	<u>\$11,245,216</u>	<u>\$1,121,728</u>

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

Net position of business-type activities.

See accompanying notes to the basic financial statements.

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$10,724,887	\$12,586
99,125	
69,840	
2,109,097	
2,845	
122,560	
8,900	
91,909	
446,279	32,772
<u>13,675,442</u>	<u>45,358</u>
369,814	
589,402	
1,221,910	
26,249,868	22,500
<u>27,471,778</u>	<u>22,500</u>
28,430,994	22,500
<u>42,106,436</u>	<u>67,858</u>
1,546,589	
77,493	1,534
86,301	
67,403	
51,108	1,146
114,763	
481,843	
15,000	
200,000	
369,814	
<u>3,010,314</u>	<u>2,680</u>
265,808	
664,407	
8,739,310	
247,500	
1,158,370	
2,703,086	
<u>13,778,481</u>	
<u>16,788,795</u>	<u>2,680</u>
17,208,955	22,500
8,108,686	42,678
<u>\$25,317,641</u>	<u>\$65,178</u>
(4,566)	
<u>\$25,313,075</u>	

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Refuse</u>	<u>Total</u>	
Operating revenues:						
Charges for services	\$1,431,434	\$1,951,570	\$17,945,541	\$864,549	\$22,193,094	\$478,981
Tap-in fees	1,388	10,444			11,832	
Rental income	2,030		19,955	15,225	37,210	
Other	69,342	54,127	205,784	20,111	349,364	2,742
Total operating revenues	<u>1,504,194</u>	<u>2,016,141</u>	<u>18,171,280</u>	<u>899,885</u>	<u>22,591,500</u>	<u>481,723</u>
Operating expenses:						
Personal services	875,119	645,491	1,440,336	399,370	3,360,316	77,819
Contractual services	213,173	263,112	494,415	261,005	1,231,705	927
Materials and supplies	301,811	126,895	16,695,825	25,151	17,149,682	409,122
Depreciation	253,758	801,207	679,437	121,607	1,856,009	3,000
Other	311	169	8,971	184	9,635	
Total operating expenses	<u>1,644,172</u>	<u>1,836,874</u>	<u>19,318,984</u>	<u>807,317</u>	<u>23,607,347</u>	<u>490,868</u>
Operating income (loss)	<u>(139,978)</u>	<u>179,267</u>	<u>(1,147,704)</u>	<u>92,568</u>	<u>(1,015,847)</u>	<u>(9,145)</u>
Non-operating revenues (expenses):						
Interest and fiscal charges		(321,608)	(43,106)		(364,714)	
Interest income	1,478	2,984	14,161	560	19,183	
Gain on sale of assets			198,250		198,250	
Decrease in investment in joint venture			(90,337)		(90,337)	
Other local tax revenue			8,832		8,832	
Excise tax expense			(8,832)		(8,832)	
Total nonoperating revenues (expenses)	<u>1,478</u>	<u>(318,624)</u>	<u>78,968</u>	<u>560</u>	<u>(237,618)</u>	
Net income (loss) before transfers	(138,500)	(139,357)	(1,068,736)	93,128	(1,253,465)	(9,145)
Transfers in			871,346		871,346	
Change in net position	(138,500)	(139,357)	(197,390)	93,128	(382,119)	(9,145)
Net position at beginning of year	<u>5,463,597</u>	<u>7,764,957</u>	<u>11,442,606</u>	<u>1,028,600</u>		<u>74,323</u>
Net position at end of year	<u>\$5,325,097</u>	<u>\$7,625,600</u>	<u>\$11,245,216</u>	<u>\$1,121,728</u>		<u>\$65,178</u>
Adjustment to reflect the consolidation of the internal service fund's activities related to enterprise funds.					<u>(10,331)</u>	
Change in net position of business-type activities.					<u>(\$392,450)</u>	

See accompanying notes to the basic financial statements.

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CITY OF ST. MARYS
AUGLAIZE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Refuse</u>
Cash flows from operating activities:				
Cash received from charges for services	\$1,430,046	\$1,973,009	\$18,022,194	\$865,918
Cash received from tap-in fees	1,388	10,444		
Cash received from rental charges	2,030		19,955	16,075
Cash received from other operations	69,327	54,127	287,607	16,222
Cash payments for personal services	(810,356)	(685,624)	(1,454,782)	(392,791)
Cash payments for contract services	(213,821)	(281,236)	(644,427)	(362,907)
Cash payments for materials and supplies	(292,621)	(103,450)	(16,724,004)	(16,919)
Cash payments for other operations	(311)	(169)	(84,950)	(184)
Net cash provided by (used in) operating activities	<u>185,682</u>	<u>967,101</u>	<u>(578,407)</u>	<u>125,414</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in			871,346	
Cash received from the repayment of interfund loans			42,310	
Cash payments for new interfund loans			(16,520)	
Cash received from other local taxes			8,832	
Cash payments for excise tax expense			(8,832)	
Net cash provided by non-capital financing activities			<u>897,136</u>	
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets	(128,028)	(356,440)	(227,885)	(154,300)
Cash received from sale of assets			198,250	
Cash payments for principal retirement		(481,052)	(109,054)	
Cash payments for interest and fiscal charges		(321,608)	(43,106)	
Net cash used in capital and related financing activities	<u>(128,028)</u>	<u>(1,159,100)</u>	<u>(181,795)</u>	<u>(154,300)</u>
Cash flows from investing activities:				
Cash received from interest earned	1,478	2,984	14,161	560
Net cash provided by investing activities	<u>1,478</u>	<u>2,984</u>	<u>14,161</u>	<u>560</u>
Net increase (decrease) in cash and investments	59,132	(189,015)	151,095	(28,326)
Cash and investments at beginning of year	762,802	1,803,162	6,349,483	2,285,493
Cash and investments at end of year	<u>\$821,934</u>	<u>\$1,614,147</u>	<u>\$6,500,578</u>	<u>\$2,257,167</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(\$139,978)	\$179,267	(\$1,147,704)	\$92,568
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	253,758	801,207	679,437	121,607
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,560)	21,336	66,588	1,852
Decrease in special assessments receivable	157	103		367
(Increase) in due from other governments				(3,889)
Decrease in real and other taxes receivable			3,465	
(Increase) decrease in materials and supplies inventory	6,998	23,314	(30,231)	1,821
(Increase) decrease in prepayments	1,167	836	2,904	(142)
Increase (decrease) in accounts payable	377	1,599	25,126	6,968
Increase in accrued wages and benefits	7,853	863	2,528	2,815
Increase (decrease) in compensated absences payable	62,906	(36,258)	(4,801)	7,312
(Decrease) in due to other governments	(5,996)	(25,166)	(12,078)	(2,884)
(Decrease) in due to other funds			(3,427)	
Increase in refundable cash deposits liability			17,257	
(Decrease) in landfill closure/postclosure liability				(102,981)
(Decrease) in AMP-Ohio stranded cost payable			(177,471)	
Net cash provided by (used in) operating activities	<u>\$185,682</u>	<u>\$967,101</u>	<u>(\$578,407)</u>	<u>\$125,414</u>

See accompanying notes to the basic financial statements

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$22,291,167	\$478,981
11,832	
38,060	
427,283	2,742
(3,343,553)	(78,417)
(1,502,391)	(927)
(17,136,994)	(437,148)
(85,614)	
<u>699,790</u>	<u>(34,769)</u>
871,346	
42,310	
(16,520)	
8,832	
(8,832)	
<u>897,136</u>	
(866,653)	
198,250	
(590,106)	
(364,714)	
<u>(1,623,223)</u>	
19,183	
<u>19,183</u>	
(7,114)	(34,769)
11,200,940	47,355
<u>\$11,193,826</u>	<u>\$12,586</u>
(\$1,015,847)	(\$9,145)
1,856,009	3,000
88,216	
627	
(3,889)	
3,465	
1,902	1,741
4,765	
34,070	(29,767)
14,059	129
29,159	
(46,124)	(727)
(3,427)	
17,257	
(102,981)	
(177,471)	
<u>\$699,790</u>	<u>(\$34,769)</u>

CITY OF ST. MARYS
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2014

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$162,182
Receivables:	
Income taxes	1,366,420
Total assets	<u><u>1,528,602</u></u>
Liabilities:	
Due to other governments	1,387,983
Payroll withholdings	33,243
Undistributed assets	107,376
Total liabilities	<u><u>\$1,528,602</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. DESCRIPTION OF THE CITY

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

The City operates under a mayor-council form of government. Legislative power is vested in a seven member City Council and a City Council President, all of which are elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. Three City Council members are elected at-large and four are elected from wards. Other elected officials consist of the Auditor, Treasurer and Law Director. These elected officials are all elected for four-year terms.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

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

1. Joint Ventures With Equity Interest

Ohio Municipal Electric Generation Agency Joint Venture

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each Financing Participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2014, the City of St. Marys has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation, of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty-year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP-Ohio redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP-Ohio's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP-Ohio credit facility. As of December 31, 2014, the outstanding debt was \$11,938,283. The City's net obligation for this amount at December 31, 2014 was \$453,655. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$589,402 at December 31, 2014. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2014 are:

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

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

<u>Year Ended</u>	<u>Total Debt</u>		
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
2015	\$146,328	\$5,832	\$152,160
2016	148,204	3,956	152,160
2017 - 2020	159,123	2,185	161,308
Total	<u>\$453,655</u>	<u>\$11,973</u>	<u>\$465,628</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. AMP-Ohio Solar Project

In 2012, AMP-Ohio constructed a 3.54 MW solar energy generation field on a brownfield area, including on top of an old landfill in Napoleon, Ohio.

The project consisted of 17,160 solar panels covering 20.74 acres. Construction started in April 2012, and the facility went online in late August 2012. AMP-Ohio financed the project on its revolving line of credit at \$9,600,000. The balance as of December 31, 2014, including interest, was \$8,763,099. There are three participants in this project; the City of Napoleon, Ohio (1,040 kW), the City of St. Marys, Ohio (2,300 kW), and the Village of Waynesfield, Ohio (200 kW).

The City of St. Marys has executed a take-or-pay sales contract with AMP-Ohio for 2,300 kW or 64.97% of capacity and associated energy from the solar facility. The City's share of the debt is approximately \$5,693,539.

3. Insurance Purchasing Pool

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

B. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

2. Fund Financial Statements

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

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

C. Fund Accounting

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

1. Governmental Funds

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Proprietary Funds

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

3. Enterprise Funds

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

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

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

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

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

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of the City's maintenance garage.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

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

E. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

2. Deferred Inflows of Resources and Deferred Outflows of Resources

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

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, have been recorded as deferred inflows of resources on both the government-wide and fund financial statements. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

3. Expenses/Expenditures

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

1. Tax Budget

A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County Auditor waived this requirement for 2014.

2. Estimated Resources

The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or before December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior revenue estimates, and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the basic financial statements represent estimates from the final amended official certificate of estimated resources issued during 2014.

3. Appropriations

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Budgeted Level of Expenditures

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

5. Lapsing of Appropriations

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

G. Cash and Investments

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

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the basic financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury. The City maintains segregated depository accounts for ambulance monies and for proceeds related to the demolition of the City's power plant.

During 2014, investments were limited to Federal Home Loan Bank (FHLB) securities, U.S. Treasury money market mutual funds, negotiable certificates of deposit, and nonnegotiable certificates of deposit. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2014 was \$54,819, which includes \$44,070 assigned from other City funds.

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Loans Receivable

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

I. Notes Receivable

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

J. Prepayments

Payments made to vendors for services that will benefit the City beyond December 31, 2014 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it is consumed.

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

K. Inventories of Materials and Supplies

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

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

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

L. Capital Assets

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land, easements, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

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

M. Compensated Absences

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

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

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Balances

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

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

P. Interfund Activity

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

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

Q. Fund Balance

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

R. Restricted Assets

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

S. Estimates

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

T. Capital Contributions

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City.

Capital contributions are reported as such in the statement of activities, and as revenue in the proprietary fund financial statements. During 2014, the City did not receive any capital contributions in the proprietary funds.

U. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City reported neither type of transaction during 2014.

3. ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, “Government Combinations and Disposals of Government Operations” and GASB Statement No. 70, “Accounting and Financial Reporting for Non-exchange Financial Guarantees”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2014 included the following individual fund deficit:

Non-major governmental fund:	
Special assessment bond retirement	\$98,880

This fund complied with Ohio law, which does not permit a cash basis deficit at year end.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

The general fund is liable for any deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the special assessment bond retirement fund (a non-major governmental fund) resulted from the reporting of an interfund loan as a fund liability rather than as another financing source since the interfund loan is subject to repayment. Deficit fund balances are eliminated as resources become available to liquidate fund liabilities.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

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

Restricted cash with fiscal agent: At year end, the City had \$48,751 on deposit with a financial institution for permissive tax monies held by Auglaize County. The data regarding insurance and collateralization can be obtained from the Auglaize County financial report for the year ended December 31, 2014. This amount is not included in "investments" below.

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

Cash in segregated accounts: At year end, the City had \$5,172 and \$99,125 on deposit with financial institutions for monies related to the City's ambulance services and for proceeds related to the demolition of the City's power plant, respectively. These amounts are included in "deposits with financial institutions" below.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$12,888,120. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$8,048,435 of the City's bank balance of \$13,153,436 was exposed to custodial credit risk as discussed below, while \$5,105,001 was covered by the FDIC.

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

B. Investments

As of December 31, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater than 24 Months</u>
Negotiable CD's	\$2,637,868		\$185,479	\$472,336	\$993,159	\$986,894
FHLB	4,744,058					4,744,058
U.S. Treasury money market mutual funds	288,396	\$288,396				
Total	\$7,670,322	\$288,396	\$185,479	\$472,336	\$993,159	\$5,730,952

At December 31, 2014, the weighted average maturity of investments is 3.12 years.

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2014:

Investment Type	Fair Value	% of Total
Negotiable CD's	\$2,637,868	34.39
FHLB	4,744,058	61.85
U.S. Treasury money market mutual funds	288,396	3.76
Total	\$7,670,322	100.00

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

The following is a reconciliation of cash and investments as reported in the note disclosure to cash and investments as reported on the statement of net position as of December 31, 2014:

Cash and investments per note disclosure	
Carrying amount of deposits	\$12,888,120
Investments	7,670,322
Restricted cash with fiscal agent	48,751
Total	\$20,607,193

Cash and investments per statement of net position	
Governmental activities	\$9,251,185
Business-type activities	11,193,826
Agency funds	162,182
Total	\$20,607,193

5. INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

Transfers out of general fund and into:	
Electric fund	\$871,346
Non-major governmental funds	393,000
Transfer out of non-major governmental fund and into:	
Non-major governmental fund	20,276
Total	\$1,284,622

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. INTERFUND TRANSACTIONS (Continued)

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

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

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

- B.** Interfund loans receivable/payable consisted of the following, as reported on the fund financial statements for the year ended December 31, 2014:

Interfund loans receivable in the electric fund from:	
Non-major governmental fund	<u>\$122,560</u>

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

- C.** Due to/from other funds consisted of the following, as reported on the fund financial statements for the year ended December 31, 2014:

Due to general fund from:	
Electric fund	<u>\$67,403</u>

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

6. PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of St. Marys. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2014 was \$3.32 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2014 property tax receipts were based are as follows:

Real property	
Residential/agricultural	\$91,763,860
Commercial/industrial	36,255,830
Public utility	
Real	11,750
Personal	343,440
Total assessed value	<u>\$128,374,880</u>

7. LOCAL INCOME TAX

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

The City, by ordinance, allocated 1 percent of the income tax revenues to the general fund (0.72%), the street construction and maintenance fund (a non-major governmental fund) (0.18%), and the capital improvements fund (a non-major governmental fund) (0.10%) for the period of January 1, 2014 through August 31, 2014. The City, by ordinance, allocated 1 percent of the income tax revenues to the general fund (0.77%), the street construction and maintenance fund (a non-major governmental fund) (0.18%), and the capital improvements fund (a non-major governmental fund) (0.05%) for the period of September 1, 2014 through November 24, 2014. The City, by ordinance, allocated 1 percent of the income tax revenues to the general fund (0.82%) and the street construction and maintenance fund (a non-major governmental fund) (0.18%) for the period of November 25, 2014 through December 31, 2014. The other 0.5 percent is allocated to the voted income tax fund. For 2014, in the fund financial statements, income tax revenue credited to the general fund, voted income tax fund, capital improvements fund (a non-major governmental fund), and street construction and maintenance fund (a non-major governmental fund), totaled \$2,550,057, \$1,350,122, \$188,641, and \$475,200, respectively.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

8. LOANS RECEIVABLE

Loans receivable represent low interest loans for development projects and home improvements granted to eligible City businesses and residents under the Community Development Block Grant (CDBG) program, a federal grant program which is accounted for in the CDBG fund (a non-major governmental fund). The outstanding loans have annual interest rates ranging from 2.00% - 3.00%, and are repaid over periods ranging from five to thirty years.

A summary of loans receivable activity during 2014 follows:

	Balance			Balance
Loans receivable:	January 1, 2014	Additions	Reductions	December 31, 2014
Business loans	<u>\$1,368,408</u>	<u>\$0</u>	<u>(\$352,658)</u>	<u>\$1,015,750</u>

9. NOTES RECEIVABLE

Notes receivable represent amounts issued to the Community Improvement Corporation of St. Marys (CIC) for the improvement of storefronts within the City that are being leased to outside entities, specifically the St. Marys City School District Board of Education. The CIC is charged with collecting lease payments from the lessee in order to repay the note principal to the City. The note was issued on October 1, 2010 for \$150,000, has an annual interest rate of 1.00%, and is to be repaid on a quarterly basis over a twenty year period. At December 31, 2014, the amount owed to the City was \$124,109.

A summary of notes receivable activity during 2014 follows:

	Balance			Balance
Notes receivable:	January 1, 2014	Additions	Reductions	December 31, 2014
Notes	<u>\$131,108</u>	<u>\$0</u>	<u>(\$6,999)</u>	<u>\$124,109</u>

10. RECEIVABLES

Receivables at December 31, 2014 consisted of income taxes, real and other taxes, accounts (billings for user charged services), special assessments, loans, notes, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2014.

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

Receivables:	Governmental Activities	Business-type Activities
Income taxes	\$892,455	
Real and other taxes	372,484	\$69,840
Accounts	44,491	2,109,097
Special assessments	213,745	2,845
Loans	1,015,750	-
Notes	124,109	-
Accrued interest	14,341	-
Due from other governments	297,620	8,900
Total	<u>\$2,974,995</u>	<u>\$2,190,682</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. RECEIVABLES (Continued)

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

11. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2014 was as follows:

Governmental activities:	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Capital assets, not being depreciated:				
Land	\$2,146,694	\$17,112		\$2,163,806
Construction in progress		587,000		587,000
Total capital assets, not being depreciated	<u>2,146,694</u>	<u>604,112</u>		<u>2,750,806</u>
Capital assets, being depreciated:				
Land improvements	4,620,372	175,161		4,795,533
Buildings and improvements	1,724,445	16,441		1,740,886
Equipment and furniture	1,284,138	232,055		1,516,193
Vehicles	4,107,088	327,617		4,434,705
Infrastructure	24,749,727	961,722		25,711,449
Total capital assets, being depreciated	<u>36,485,770</u>	<u>1,712,996</u>		<u>38,198,766</u>
Less: accumulated depreciation:				
Land improvements	(1,673,704)	(178,606)		(1,852,310)
Buildings and improvements	(1,061,313)	(47,118)		(1,108,431)
Equipment and furniture	(836,021)	(75,371)		(911,392)
Vehicles	(2,914,232)	(237,420)		(3,151,652)
Infrastructure	(12,703,618)	(984,763)		(13,688,381)
Total accumulated depreciation	<u>(19,188,888)</u>	<u>(1,523,278)</u>		<u>(20,712,166)</u>
Total capital assets, net	<u>\$19,443,576</u>	<u>\$793,830</u>	<u>\$0</u>	<u>\$20,237,406</u>

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

Governmental activities:	Depreciation Expense
General government	\$27,241
Security of persons and property	210,886
Public health and welfare	6,815
Transportation	1,097,277
Community environment	49,617
Leisure time activity	128,442
Capital assets held by the internal service fund are charged to various functions based upon their usage of the capital assets	<u>3,000</u>
Total depreciation expense	<u>\$1,523,278</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. CAPITAL ASSETS - (Continued)

Business-type activities capital asset activity for the year ended December 31, 2014 was as follows:

Business-type activities:	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Capital assets, not being depreciated:				
Land and easements	\$1,221,910			\$1,221,910
Construction in progress	38,000		(\$38,000)	
Total capital assets, not being depreciated	<u>1,259,910</u>		<u>(38,000)</u>	<u>1,221,910</u>
Capital assets, being depreciated:				
Land improvements	7,853,040	38,000		7,891,040
Buildings and improvements	16,750,552			16,750,552
Equipment and furniture	11,335,134	338,170		11,673,304
Vehicles	3,308,423	372,050		3,680,473
Infrastructure	20,478,873	156,433		20,635,306
Total capital assets, being depreciated	<u>59,726,022</u>	<u>904,653</u>		<u>60,630,675</u>
Less: accumulated depreciation:				
Land improvements	(3,692,863)	(316,856)		(4,009,719)
Buildings and improvements	(6,109,718)	(581,585)		(6,691,303)
Equipment and furniture	(9,955,818)	(267,538)		(10,223,356)
Vehicles	(2,509,179)	(162,089)		(2,671,268)
Infrastructure	(10,257,220)	(527,941)		(10,785,161)
Total accumulated depreciation	<u>(32,524,798)</u>	<u>(1,856,009)</u>		<u>(34,380,807)</u>
Total capital assets, net	<u>\$28,461,134</u>	<u>(\$951,356)</u>	<u>(\$38,000)</u>	<u>\$27,471,778</u>

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

Business-type activities:	Depreciation Expense
Water fund	\$253,758
Sewer fund	801,207
Electric fund	679,437
Refuse fund	121,607
Total depreciation expense	<u>\$1,856,009</u>

12. COMPENSATED ABSENCES

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

12. COMPENSATED ABSENCES (Continued)

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

13. LONG-TERM OBLIGATIONS

Governmental activities changes in long-term obligations for the year ended December 31, 2014 were as follows:

<u>Governmental activities:</u>	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2014</u>	<u>Amount Due Within One Year</u>
Long-term obligations:					
Bond anticipation notes payable	\$37,000	\$25,000	(\$37,000)	\$25,000	\$25,000
Compensated absences payable	454,797	80,818	(81,526)	454,089	104,471
Total long-term obligations	<u>\$491,797</u>	<u>\$105,818</u>	<u>(\$118,526)</u>	<u>\$479,089</u>	<u>\$129,471</u>

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

Bond Anticipation Notes Payable - On May 16, 2013, the City entered into bond anticipation notes for \$37,000 to finance the 2013 street program. The notes carried an interest rate of 1.39% and matured on May 16, 2014. On June 13, 2014, the City entered into bond anticipation notes for \$25,000 to finance the 2014 street program. The notes carry an interest rate of 1.35% and mature on June 13, 2015. The bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year. In accordance with GAAP, the City's bond anticipation notes are reported as long-term obligations as the City has consummated refinancing on a long-term basis prior to the issuance of the basic financial statements (See Note 24).

Business-type activities changes in long-term obligations for the year ended December 31, 2014 were as follows:

<u>Business-type activities:</u>	<u>Interest Rate</u>	<u>Balance 01/01/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2014</u>	<u>Amount Due Within One Year</u>
General obligation bonds						
OMEGA JV2 electric project	3.81%	\$888,224		(\$109,054)	\$779,170	\$114,763
OWDA loan						
Wastewater treatment plant	3.36%	9,687,205		(466,052)	9,221,153	481,843

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

<u>Business-type activities:</u>	<u>Interest Rate</u>	<u>Balance 01/01/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2014</u>	<u>Amount Due Within One Year</u>
General obligation bonds (Cont'd.)						
OPWC loan						
Spring Street sanitary lift rehabilitation	0.00%	277,500		(15,000)	262,500	15,000
Other long-term obligations						
Compensated absences payable		322,950	\$87,288	(58,129)	352,109	86,301
AMP-Ohio stranded cost payable		1,535,841	22,529	(200,000)	1,358,370	200,000
Landfill closure/post-closure liability		2,806,067		(102,981)	2,703,086	-
Total other long-term obligations		4,664,858	109,817	(361,110)	4,413,565	286,301
Total long-term obligations		\$15,517,787	\$109,817	(\$951,216)	\$14,676,388	\$897,907

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

See Note 19 for detail of the City's landfill closure/post-closure liability.

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

OWDA Loan - The City has pledged future sewer revenues to repay an Ohio Water Development Authority (OWDA) loan related to the construction of a new wastewater treatment plant. The loan is payable solely from sewer fund revenues and is payable through 2029 at an interest rate of 3.36%. Annual principal and interest payments on the loan are expected to require 80.09% of net revenues and 39.07% of total revenues. The total principal and interest remaining to be paid on the loan is \$11,814,897. Principal and interest paid for the current year was \$787,660, total net revenues were \$983,458, and total revenues were \$2,016,141. The loan is supported by the full faith and credit of the City.

OPWC Loan - The City has entered into a debt financing arrangement through the Ohio Public Works Commission (OPWC) to fund a sanitary lift rehabilitation project. The payments due to the OPWC are made from the City's sewer fund. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2014, the City had outstanding OPWC loan borrowings of \$262,500 in the sewer fund. The loan agreement requires semi-annual payments based on the actual amount loaned. The OPWC loan is interest free and is payable through 2032.

AMP-Ohio Stranded Cost Payable - The City is a member of American Municipal Power (AMP) and was a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The City executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project, which was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share of the AMPGS Project was 21,000 kilowatts out of a total 771,281 kilowatts, giving the City a 2.72 percent share. The take-or-pay contracts signed by the City and other AMPGS Project participants obligated these entities to pay any costs incurred for the AMPGS Project.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and the participants of the AMPGS Project were obligated to pay the costs already incurred. In prior years, the eventual payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. However, as a result of a March 31, 2014 legal ruling, on April 16, 2014 the AMP Board of Trustees and the AMPGS Project participants approved the collection of the impaired costs. AMP then provided each AMPGS Project participant with an estimate of its individual liability.

Consistent with prior years, the City continues to record a long-term obligation for its portion of the stranded costs related to the AMPGS Project. The City's estimated share of the impaired costs at March 31, 2014 was determined to be \$3,642,633. The City received a credit of \$757,070 related to its participation in the AMP Fremont Energy Center Project (the "AFEC Project"), and another credit of \$949,722 related to AMPGS Project costs deemed to have a future benefit for the City (both credits act as a reduction to the City's long-term obligation for stranded costs, including \$915,535 of the latter credit reported as a special item in the electric fund in a prior year). As of December 31, 2014, the City has made total payments of \$600,000 on the AMPGS Project liability, \$200,000 of which occurred during 2014. The City was also responsible for various costs related to the AMPGS Project incurred during 2014 in the amount of \$22,529, which increased the City's long-term obligation. The net effect of these transactions is a December 31, 2014 impaired cost estimate of \$1,358,370, which is reported as "AMP-Ohio stranded cost payable" in the City's electric fund.

Now that payments on the outstanding stranded costs associated with the AMPGS Project are probable and reasonably estimable for each AMPGS Project participant, each entity is required to report a liability moving forward. AMP has financed these costs on its revolving line-of-credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the AMPGS Project could potentially impact each participant's liability. These amounts will be recorded as they become estimable.

In 2011, when the AMPGS Project was determined to be abandoned, the City recognized the total estimated costs established at that time as a current operating expense through the contractual services line item. The City thus elected in 2011 to finance this long-term obligation through existing resources in the electric fund, a plan that is still in place as of December 31, 2014.

The following is a summary of the City's future payment requirements for the AMPGS Project liability (AMP-Ohio stranded cost payable):

Year Ending December 31,	AMPGS Project Liability Payment
2015	\$200,000
2016	200,000
2017	200,000
2018	200,000
2019	200,000
2020 - 2021	358,370
Total	<u>\$1,358,370</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Future Debt Service Requirements - At December 31, 2014, the principal and interest requirements to retire the business-type activities long-term obligations are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
2015	\$114,763	\$37,524	\$152,287
2016	120,853	31,499	152,352
2017	126,563	25,819	152,382
2018	132,653	19,807	152,460
2019	138,934	13,506	152,440
2020	145,404	6,907	152,311
Total	\$779,170	\$135,062	\$914,232

Year Ended	OPWC Loan			OWDA Loan		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$15,000		\$15,000	\$481,843	\$305,817	\$787,660
2016	15,000		15,000	498,169	289,491	787,660
2017	15,000		15,000	515,048	272,612	787,660
2018	15,000		15,000	532,499	255,161	787,660
2019	15,000		15,000	550,541	237,118	787,659
2020 - 2024	75,000		75,000	3,045,474	892,825	3,938,299
2025 - 2029	75,000		75,000	3,597,579	340,720	3,938,299
2030 - 2032	37,500		37,500			
Total	\$262,500	\$0	\$262,500	\$9,221,153	\$2,593,744	\$11,814,897

Legal Debt Margins - At December 31, 2014, the City had a legal voted debt margin of \$13,380,482 and a legal un-voted debt margin of \$7,060,618.

14. RISK MANAGEMENT

A. Risk Pool Membership

For the period of January 1, 2014 through May 31, 2014, the City belonged to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond,

Inland marine, and other coverages to its Members sold through fourteen appointed independent agents in the State of Ohio.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

14. RISK MANAGEMENT (Continued)

Effective November 1, 2012, the Plan increased its retention to 50% of the first \$250,000 casualty treaty. This change was made to balance the reinsurance market conditions. The Plan's property retention remained unchanged from prior years. Members are only responsible for their self-retention (deductible) amounts, which vary from Member to Member. OPRM had 774 and 767 Members as of December 31, 2013 and December 31, 2012, respectively.

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

For the period of January 1, 2014 through May 31, 2014, the City also belonged to the Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium, (the "Plan"), a non-assessable, unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

As authorized by Section 9.833 of the Ohio Revised Code, the OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its Members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each Member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to Members.

These plans vary primarily by deductibles, co-insurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 92 and 74 Members as of December 31, 2012 and December 31, 2011, respectively.

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

Settlement amounts for OPRM and OPHC did not exceed insurance coverage during the last three years.

The OPRM and OPHC audited financial statements conform with generally accepted accounting principles (GAAP). OPRM and OPHC reported the following assets, liabilities, and members' equity at December 31, 2013 and December 31, 2012, which is the most current audited financial information available for OPRM and OPHC:

	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>OPRM</u>	<u>OPHC</u>	<u>OPRM</u>	<u>OPHC</u>
Assets	\$13,774,304	\$1,459,791	\$13,100,381	\$1,152,610
Liabilities	(7,968,395)	(1,283,527)	(6,687,193)	(1,615,537)
Members' Equity	<u>\$5,805,909</u>	<u>\$176,264</u>	<u>\$6,413,188</u>	<u>(\$462,927)</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

14. RISK MANAGEMENT (Continued)

You can read the complete audited financial statements for OPRM and OPHC at the Plans' website, www.ohioplan.org.

Effective June 1, 2014, the City obtained property and liability insurance through commercial carriers (See Note 14.B), and obtained employee medical benefits through Medical Mutual of Ohio (See Note 14.C).

B. Property and Liability

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

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$6,000,000	\$0
Law Enforcement Liability	6,000,000	5,000
Public Officials Liability	6,000,000	5,000
Employers Liability	6,000,000	0
Employee Benefits Liability	6,000,000	0
Automobile Fleet Liability	6,000,000	1,000
Buildings and Contents	82,426,653	1,000
Boiler and Machinery	82,426,653	Various
Inland Marine and Equipment	3,576,592	1,000

There were no significant reductions in insurance coverage from 2013, and no insurance settlement has exceeded insurance coverage during the last three years.

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

C. Employee Medical Benefits

Employees have a choice of two insurance plans; a traditional preferred provider organization (PPO) plan and a health savings account (HSA) plan.

The City elected to provide employee group health insurance benefits through a fully insured program with The Ohio Plan for the period of January 1, 2014 through May 31, 2014. Effective June 1, 2014, the City began providing employee medical benefits through Medical Mutual of Ohio.

The monthly premiums for the PPO plan during the periods of January 1, 2014 through May 31, 2014 and June 1, 2014 through December 31, 2014 were \$756.96 and \$752.88 for single coverage and \$1,794.01 and \$1,879.20 for family coverage, respectively. The employee share ranges from 17% to 20% of the premium amount. The PPO plan has an in-network deductible of \$1,000 per year for single coverage and \$3,000 per year for family coverage. Maximum out-of-pocket limits for the PPO plan are equal to the in-network deductibles, \$1,000 per year for single coverage and \$3,000 per year for family coverage. The PPO plan has a maximum lifetime coverage limit of \$5,000,000.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

14. RISK MANAGEMENT (Continued)

The monthly premiums for the HSA plan during the periods of January 1, 2014 through May 31, 2014 and June 1, 2014 through December 31, 2014 were \$724.33 and \$725.92 for single coverage and \$1,716.66 and \$1,807.30 for family coverage, respectively. The employee share was 10% of the premium amount. The HSA plan has an in-network deductible of \$1,500 for single coverage and \$3,000 for family coverage. Maximum out-of-pocket limits for the HSA plan are equal to the in-network deductibles, \$1,500 per year for single coverage and \$3,000 per year for family coverage. The HSA plan has a maximum lifetime coverage limit of \$5,000,000.

D. Workers' Compensation

For 2014, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

15. PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

15. PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$435,697, \$453,686, and \$349,172, respectively; 100% has been contributed for 2014, 2013, and 2012. Contributions to the Member-Directed Plan for 2014 were \$2,100 made by the City and \$1,500 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$182,695 and \$193,717 for the year ended December 31, 2014, \$146,350 and \$159,894 for the year ended December 31, 2013, and \$120,533 and \$134,482 for the year ended December 31, 2012. 100% has been contributed for 2014, 2013, and 2012.

16. POST-RETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

16. POST-RETIREMENT BENEFIT PLANS (Continued)

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment healthcare benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits provided, by the retiree or their surviving beneficiaries.

Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2014, 2013, and 2012 were \$72,642, \$34,884, and \$141,126, respectively; 100% has been contributed for 2014, 2013, and 2012.

Changes to the healthcare plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved healthcare changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the healthcare fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

16. POST-RETIREMENT BENEFIT PLANS (Continued)

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For 2014, the portion of employer contributions allocated to healthcare was 0.50% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$4,808 and \$4,122 for the year ended December 31, 2014, \$32,626 and \$27,932 for the year ended December 31, 2013, and \$63,812 and \$52,624 for the year ended December 31, 2012. 100% has been contributed for 2014, 2013, and 2012.

17. BUDGETARY BASIS OF ACCOUNTING

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

17. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

Net Change in Fund Balance	General fund
Budget basis	(\$705,323)
Net adjustment for revenue accruals	103,956
Net adjustment for expenditure accruals	(32,529)
Net adjustment for other sources/uses	(6,514)
Adjustment for encumbrances	120,123
GAAP basis	(\$520,287)

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

18. RESTRICTED ASSETS

Refundable electric customer deposits at December 31, 2014 in the amount of \$369,814 are presented as restricted assets (refundable cash deposits) on the proprietary fund statement of net position in the electric fund, and in the business-type activities column of the statement of net position. The City also has permissive tax monies on deposit with Auglaize County at December 31, 2014 in the amount of \$48,751 presented as restricted assets (cash with fiscal agent) on the governmental fund balance sheet in the motor vehicle permissive tax fund (a non-major governmental fund), and in the governmental activities column of the statement of net position.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

19. LANDFILL CLOSURE/POST-CLOSURE COSTS

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

The City is in the process of closing the landfill. The landfill closure and post-closure liability of \$2,703,086 at December 31, 2014 represents the cumulative amount for closure and post-closure care. The amounts are based on what it would cost to perform all closure and post-closure care in 2014.

Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and federal laws and regulations to provide assurances that financial resources will be available to provide for post-closure care and remediation or containment of environmental hazards at the landfill.

20. CONTRACTUAL COMMITMENTS

At December 31, 2014, the City had the following contractual commitments:

Contractor	Contract Amount	Amount Paid	Contract Balance
American Municipal Power, Inc.	\$16,667,160	\$15,058,591	\$1,608,569
Celina Landfill	230,000	216,971	13,029
Grande De Logement, LLC.	225,000	205,700	19,300
Miami & Erie Contractors, Inc.	131,000	130,000	1,000
PAB Construction Co.	741,238	731,647	9,591
Utility Truck Equipment, Inc.	174,710	0	174,710
Total contractual commitments	\$18,169,108	\$16,342,909	\$1,826,199

21. CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2014.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

22. OTHER COMMITMENTS

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

<u>Fund</u>	Year End
	<u>Encumbrances</u>
General fund	\$ 87,446
Voted income tax fund	17,209
Nonmajor governmental funds	82,688
Total	<u>\$ 187,343</u>

23. FUND BALANCE

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

<u>Fund Balance</u>	<u>General</u>	<u>Voted Income Tax</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:				
Prepayments	\$55,988		\$8,118	\$64,106
Materials and supplies inventory	59,673		16,494	76,167
Unclaimed monies	2,652			2,652
Total non-spendable	<u>118,313</u>		<u>24,612</u>	<u>142,925</u>
Restricted:				
Capital projects		\$2,022,035	207,420	2,229,455
Transportation projects		-	1,035,064	1,035,064
Community improvements		-	2,123,003	2,123,003
Other purposes		-	140,052	140,052
Total restricted		<u>2,022,035</u>	<u>3,505,539</u>	<u>5,527,574</u>
Committed:				
Capital projects			2,766,336	2,766,336
Leisure time activity			50,206	50,206
Total committed			<u>2,816,542</u>	<u>2,816,542</u>
Assigned:				
General government	47,771			47,771
Security of persons and property	24,408			24,408
Community environment	4,771			4,771
Leisure time activity	8,545			8,545
Subsequent year appropriations	325,529			325,529
Total assigned	<u>411,024</u>			<u>411,024</u>
Unassigned (deficit)	<u>1,804,859</u>		<u>(98,880)</u>	<u>1,705,979</u>
Total fund balances	<u>\$2,334,196</u>	<u>\$2,022,035</u>	<u>\$6,247,813</u>	<u>\$10,604,044</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

24. SIGNIFICANT SUBSEQUENT EVENT

In July of 2015, the City issued bond anticipation notes in the amount of \$16,000 that are scheduled to mature in July of 2016. These bond anticipation notes were used to refund the bond anticipation notes issued on June 13, 2014



Dave Yost • Auditor of State

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

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

To the Members of the Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Marys, Auglaize County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 1, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

September 1, 2015



Dave Yost • Auditor of State

CITY OF SAINT MARYS

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 1, 2015**