



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Marys City School District, Auglaize County, Ohio (the School District), as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District'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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 School District'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 School District'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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Marys City School District, Auglaize County, Ohio, as of June 30, 2014 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 4, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of St. Marys City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Using the Basic Financial Statements**

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

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

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

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

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

**Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

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

**Reporting the School District's Most Significant Funds**

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

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013:

<b>Table 1</b>			
<b>Governmental Activities</b>			
<b>Net Position</b>			
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$9,046,311	\$9,939,595	(\$893,284)
<b>Net Position:</b>			
Restricted	6,289,093	7,841,967	(1,552,874)
Unrestricted	2,757,218	2,097,628	659,590
Total Net Position	\$9,046,311	\$9,939,595	(\$893,284)

Total net position decreased \$893,284. The decrease in restricted net position resulted from the School District repairing the masonry veneer on the exterior of the high school building. Unrestricted net position increased from the effect of an increase in State funding and a decrease in disbursements due to budget cuts approved by the Board of Education.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

**Table 2  
Governmental Activities  
Changes in Net Position**

	2014	2013	Change
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$1,565,071	\$1,551,347	\$13,724
Operating Grants, Contributions, and Interest	2,818,217	2,888,380	(70,163)
Total Program Receipts	<u>4,383,288</u>	<u>4,439,727</u>	<u>(56,439)</u>
<b>General Receipts:</b>			
Property Taxes Levied for General Purposes	6,291,849	6,368,392	(76,543)
Property Taxes Levied for OFSC Maintenance	129,947	129,947	
Property Taxes Levied for Debt Service	1,607,178	1,629,964	(22,786)
Property Taxes Levied for Permanent Improvements	226,482	231,183	(4,701)
Grants and Entitlements	11,147,982	10,314,344	833,638
Interest	18,386	24,563	(6,177)
Miscellaneous	166,854	176,404	(9,550)
Total General Receipts	<u>19,588,678</u>	<u>18,874,797</u>	<u>713,881</u>
Total Receipts	<u>23,971,966</u>	<u>23,314,524</u>	<u>657,442</u>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	9,252,889	9,844,583	591,694
Special	2,853,629	3,042,841	189,212
Vocational	957,265	1,138,223	180,958
Adult/Continuing	34,565	15,866	(18,699)
<b>Support Services:</b>			
Pupils	1,660,401	1,424,282	(236,119)
Instructional Staff	279,816	892,427	612,611
Board of Education	128,570	113,027	(15,543)
Administration	1,353,408	1,323,118	(30,290)
Fiscal	417,239	422,282	5,043
Business	212,540	277,675	65,135
Operation and Maintenance of Plant	1,677,568	1,823,536	145,968
Pupil Transportation	959,366	897,793	(61,573)
Central	8,201	8,626	425
Non-instructional Services	1,039,516	986,319	(53,197)
Extracurricular Activities	527,426	468,475	(58,951)
Capital Outlay	1,777,713	586,159	(1,191,554)
<b>Debt Service:</b>			
Principal Retirement	600,000	591,512	(8,488)
Interest and Fiscal Charges	1,125,138	1,148,063	22,925
Total Disbursements	<u>24,865,250</u>	<u>25,004,807</u>	<u>139,557</u>
Decrease in Net Position	(893,284)	(1,690,283)	796,999
Net Position at Beginning of Year	9,939,595	11,629,878	(1,690,283)
Net Position at End of Year	<u>\$9,046,311</u>	<u>\$9,939,595</u>	<u>(\$893,284)</u>

Program receipts represented 18 percent of total receipts for fiscal year 2014 and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities, and food service sales.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

The majority of general receipts are unrestricted grants and entitlements, which primarily represents State foundation resources. During fiscal year 2014, there was an increase in the amount of the State funding from the modification of the funding formula. Property taxes basically make up the balance of the School District's general receipts.

The School District had significant decreases in several programs. For fiscal year 2014, the Board of Education adopted reductions that included a pay freeze for all union, non-union, and administrative personnel, continued reductions that included further attrition through retirements, elimination of mobile learning devices, elimination of the vocational agricultural program, and elimination of one consumer and family science position, one band director position, the director of the virtual learning program, library technicians, part-time secretaries, and paraprofessionals. Along with these staff reductions, the business manager position was eliminated on December 13, 2013.

There were increases in a few programs in fiscal year 2014. Pupils support services increased from an increase in purchased services through the Auglaize County Educational Service Center. Disbursements in the board of education program included increases in property and liability insurance premiums, strategic planning facilitation costs, and the payment of an SERS employer statement balance due. In fiscal year 2014, the transportation disbursements included the purchase of two buses; whereas, in fiscal year 2013, only one bus was purchased. Non-instructional services costs included the purchase of new serving line equipment for the intermediate and primary school buildings. Extracurricular activities disbursements included the employment of a full-time athletic director rather than a part-time position during fiscal year 2013. Capital outlay increased significantly from the replacement of the exterior masonry veneers on the high school building.

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Instruction:</b>				
Regular	\$9,252,889	\$9,844,583	\$8,815,466	\$9,332,943
Special	2,853,629	3,042,841	838,182	1,075,495
Vocational	957,265	1,138,223	501,988	647,517
Adult/Continuing	34,565	15,866	(1,663)	4,040
<b>Support Services:</b>				
Pupils	1,660,401	1,424,282	1,660,401	1,424,282
Instructional Staff	279,816	892,427	279,816	892,427
Board of Education	128,570	113,027	128,570	113,027
Administration	1,353,408	1,323,118	1,353,408	1,323,118
Fiscal	417,239	422,282	417,239	422,282
Business	212,540	277,675	140,754	177,403
Operation and Maintenance of Plant	1,677,568	1,823,536	1,633,989	1,779,957
Pupil Transportation	959,366	897,793	904,031	859,446
Central	8,201	8,626	8,201	8,626
Non-instructional Services	1,039,516	986,319	(1,769)	(92,006)
Extracurricular Activities	527,426	468,475	300,498	270,789
Capital Outlay	1,777,713	586,159	1,777,713	586,159

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Table 3  
Governmental Activities  
(Continued)**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Debt Service:</b>				
Principal Retirement	600,000	591,512	600,000	591,512
Interest and Fiscal Charges	1,125,138	1,148,063	1,125,138	1,148,063
Total Disbursements	<u>\$24,865,250</u>	<u>\$25,004,807</u>	<u>\$20,481,962</u>	<u>\$20,565,080</u>

Cost of services were financed through user charges and grants awarded for specific programs, in the amount of \$4,383,288, or 18 percent, for fiscal year 2014 which is similar to the prior fiscal year.

The most significant program receipts from restricted grants are associated with the special instruction and the vocational instruction programs, along with non-instructional services. Non-instructional services were fully funded in fiscal year 2014 through charges for services and federal and state funds for providing meals to students and state operating grants for the number of students receiving their education through the parochial school which is reported within non-instructional services. Adult/continuing instruction program was also fully funded in fiscal year 2014 from donations and restricted grants. Other material program receipts were received for extracurricular activities programs (consisting of sport-related and trip charges that are received to finance these activities).

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund reported a positive change in fund balance in fiscal year 2014. Total receipts increased significantly from an increase in State funding. Disbursements decreased almost 6 percent primarily from the Board of Education reducing costs through various methods.

Fund balance in the Bond Retirement Fund increased as property tax receipts received are greater than debt service payments.

Fund balance in the Building Fund decreased as the bond proceeds were spent on the replacement of the masonry veneers on the exterior of the high school building.

**Budgeting Highlights**

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

During fiscal year 2014, the School District amended its General Fund budget as needed. There was no change from original to final budget amounts for receipts. Tuition and fees receipts increased from underestimating the receipts for tuition in open enrollment and the special education and vocational program tuition. Fiscal year 2014 was the first year for the School District for collecting a pay-to-play fee for sports.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Debt Administration**

At June 30, 2014, the School District's outstanding debt consisted of general obligation bonds for the construction of new school facilities, in the amount of \$23,064,998. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

**Current Issues**

The School District entered into a contract to purchase a replacement dishwasher for the High School/Middle School complex. This contract was awarded on June 25, 2014, to Breckenridge Kitchen Equipment, at a cost of \$45,600, and will be paid from the Food Service special revenue fund.

On July 9, 2014, the School District entered into a contract with Buehler Asphalt Paving, Inc. for the sealing and repair of the parking lots located at the four School District buildings. The contract also included a poured concrete pad and asphalt paving at the District Service Center for bus parking. The total cost of the contract was \$207,024 and will be paid from the OSFC Maintenance special revenue fund and the Permanent Improvement capital projects fund.

Preliminary discussions have taken place with Fifth Third Bank (underwriter) and Bricker and Eckler (bond counsel) concerning the possibility of refunding the Series 2008 bonds.

The School District continues to monitor the financial status. Due to a modification of the State funding formula in fiscal year 2014 that resulted in increased funding in the General Fund, the Board has taken steps to return certain positions and programs for fiscal year 2015, including the vocational agricultural program and bringing back an assistant band director position, three library technicians, and paraprofessionals to assist in the classrooms.

**Contacting the School District's Financial Management**

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

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

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,046,311</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Debt Service	1,024,849
Capital Projects	3,598,168
Food Service	744,789
School Facility Maintenance	864,761
Other Purposes	56,526
Unrestricted	<u>2,757,218</u>
Total Net Position	<u><u>\$9,046,311</u></u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Cash Receipts</u>			<b>Net (Disbursement) Receipt and Change in Net Assets</b>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$9,252,889	\$363,555	\$73,868	(\$8,815,466)
Special	2,853,629		2,015,447	(838,182)
Vocational	957,265	364,355	90,922	(501,988)
Adult/Continuing	34,565	24,667	11,561	1,663
<b>Support Services:</b>				
Pupils	1,660,401			(1,660,401)
Instructional Staff	279,816			(279,816)
Board of Education	128,570			(128,570)
Administration	1,353,408			(1,353,408)
Fiscal	417,239			(417,239)
Business	212,540	71,786		(140,754)
Operation and Maintenance of Plant	1,677,568		43,579	(1,633,989)
Pupil Transportation	959,366	11,469	43,866	(904,031)
Central	8,201			(8,201)
Non-instructional Services	1,039,516	502,311	538,974	1,769
Extracurricular Activities	527,426	226,928		(300,498)
Capital Outlay	1,777,713			(1,777,713)
<b>Debt Service:</b>				
Principal Retirement	600,000			(600,000)
Interest and Fiscal Charges	1,125,138			(1,125,138)
<b>Total Governmental Activities</b>	<u>\$24,865,250</u>	<u>\$1,565,071</u>	<u>\$2,818,217</u>	<u>(20,481,962)</u>
<b>General Receipts</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				6,291,849
School Facility Maintenance				129,947
Debt Service				1,607,178
Permanent Improvements				226,482
Grants and Entitlements not Restricted to Specific Programs				11,147,982
Interest				18,386
Miscellaneous				166,854
<b>Total General Receipts</b>				<u>19,588,678</u>
Change in Net Position				(893,284)
Net Position at Beginning of Year				<u>9,939,595</u>
Net Position at End of Year				<u>\$9,046,311</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$2,767,748</u>	<u>\$1,024,849</u>	<u>\$2,500,681</u>	<u>\$2,753,033</u>	<u>\$9,046,311</u>
<b>Fund Balances:</b>					
Restricted		1,024,849	2,500,681	2,763,563	6,289,093
Assigned	1,035,910				1,035,910
Unassigned (Deficit)	<u>1,731,838</u>			<u>(10,530)</u>	<u>1,721,308</u>
Total Fund Balances	<u>\$2,767,748</u>	<u>\$1,024,849</u>	<u>\$2,500,681</u>	<u>\$2,753,033</u>	<u>\$9,046,311</u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Receipts:</b>					
Property Taxes	\$6,291,849	\$1,607,178		\$356,429	\$8,255,456
Intergovernmental	12,211,140	235,598		1,514,010	13,960,748
Interest	5,704	1,551	6,359	5,737	19,351
Tuition and Fees	764,046				764,046
Charges for Services				502,311	502,311
Extracurricular Activities	65,151			161,777	226,928
Gifts and Donations				4,486	4,486
Miscellaneous	224,300			14,340	238,640
Total Receipts	<u>19,562,190</u>	<u>1,844,327</u>	<u>6,359</u>	<u>2,559,090</u>	<u>23,971,966</u>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	9,185,334			67,555	9,252,889
Special	2,107,541			746,088	2,853,629
Vocational	957,265				957,265
Adult/Continuing	27,674			6,891	34,565
<b>Support Services:</b>					
Pupils	1,660,401				1,660,401
Instructional Staff	265,918			13,898	279,816
Board of Education	128,570				128,570
Administration	1,353,408				1,353,408
Fiscal	377,892	32,280		7,067	417,239
Business	212,540				212,540
Operation and Maintenance of Plant	1,487,097			190,471	1,677,568
Pupil Transportation	802,708			156,658	959,366
Central	8,201				8,201
Non-instructional Services				1,039,516	1,039,516
Extracurricular Activities	338,578			188,848	527,426
Capital Outlay			1,336,290	441,423	1,777,713
<b>Debt Service:</b>					
Principal Retirement		600,000			600,000
Interest and Fiscal Charges		1,125,138			1,125,138
Total Disbursements	<u>18,913,127</u>	<u>1,757,418</u>	<u>1,336,290</u>	<u>2,858,415</u>	<u>24,865,250</u>
Excess of Receipts Over (Under) Disbursements	<u>649,063</u>	<u>86,909</u>	<u>(1,329,931)</u>	<u>(299,325)</u>	<u>(893,284)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	217				217
Transfers Out				(217)	(217)
Total Other Financing Sources (Uses)	<u>217</u>			<u>(217)</u>	
Changes in Fund Balances	649,280	86,909	(1,329,931)	(299,542)	(893,284)
Fund Balances at Beginning of Year	<u>2,118,468</u>	<u>937,940</u>	<u>3,830,612</u>	<u>3,052,575</u>	<u>9,939,595</u>
Fund Balances at End of Year	<u>\$2,767,748</u>	<u>\$1,024,849</u>	<u>\$2,500,681</u>	<u>\$2,753,033</u>	<u>\$9,046,311</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$6,082,362	\$6,082,362	\$6,291,849	\$209,487
Intergovernmental	12,112,704	12,112,704	12,211,140	98,436
Interest	17,155	17,155	5,704	(11,451)
Tuition and Fees	553,000	553,000	764,046	211,046
Extracurricular Activities			65,151	65,151
Miscellaneous	234,720	234,720	224,300	(10,420)
<b>Total Receipts</b>	<u>18,999,941</u>	<u>18,999,941</u>	<u>19,562,190</u>	<u>562,249</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	9,388,916	9,338,016	9,289,486	48,530
Special	1,876,967	2,308,275	2,244,240	64,035
Vocational	1,026,862	1,106,862	1,101,667	5,195
Adult/Continuing	40,000	29,000	28,567	433
Other	10,000	5,500	5,419	81
<b>Support Services:</b>				
Pupils	1,416,416	1,782,416	1,762,519	19,897
Instructional Staff	678,483	274,104	273,776	328
Board of Education	141,208	146,608	147,035	(427)
Administration	1,472,346	1,413,346	1,413,151	195
Fiscal	405,321	381,321	381,179	142
Business	314,057	258,057	213,948	44,109
Operation and Maintenance of Plant	1,614,504	1,636,504	1,635,358	1,146
Pupil Transportation	810,062	831,072	831,004	68
Central	15,344	10,844	10,779	65
Extracurricular Activities	325,979	340,379	339,910	469
<b>Total Disbursements</b>	<u>19,536,465</u>	<u>19,862,304</u>	<u>19,678,038</u>	<u>184,266</u>
Excess of Receipts				
Under Disbursements	(536,524)	(862,363)	(115,848)	746,515
<b>Other Financing Sources (Uses):</b>				
Transfers In			217	217
Other Financing Uses	(300)			
<b>Total Other Financing Sources (Uses)</b>	<u>(300)</u>		<u>217</u>	<u>217</u>
Changes in Fund Balance	(536,824)	(862,363)	(115,631)	746,732
Fund Balance at Beginning of Year	1,591,440	1,591,440	1,591,440	
Prior Year Encumbrances Appropriated	527,028	527,028	527,028	
<b>Fund Balance at End of Year</b>	<u>\$1,581,644</u>	<u>\$1,256,105</u>	<u>\$2,002,837</u>	<u>\$746,732</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,746	\$56,720
Cash and Cash Equivalents in Segregated Accounts		2,270
Total Assets	<u>2,746</u>	<u>58,990</u>
 <b>Net Position:</b>		
Held in Trust for Scholarships	2,746	
Held for Student Activities		50,946
Undistributed Assets		8,044
Total Net Position	<u>\$2,746</u>	<u>\$58,990</u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Receipts:</b>	
Interest	\$3
Miscellaneous	472
Total Receipts	<u>475</u>
<b>Disbursements:</b>	
Non-instructional Services	<u>299</u>
Change in Net Position	176
Net Position at Beginning of Year	<u>2,570</u>
Net Position at End of Year	<u><u>\$2,746</u></u>

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1862. The School District serves an area of approximately eighty-one square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships. The School District is the 229<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-seven classified employees, one hundred thirty-five certified teaching personnel, and seventeen administrative employees who provide services to 2,135 students and other community members. The School District currently operates four school buildings and a service building.

**Reporting Entity**

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

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

The following activities are included within the reporting entity:

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

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

**1. Governmental Funds**

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

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

**Bond Retirement Fund** – The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

**Building Fund** – The Building Fund accounts for bond proceeds restricted to acquire, construct, or improve capital facilities.

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

**2. Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

**C. Basis of Accounting**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the schedule of tax funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The schedule of tax funds indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for all other funds are made by the Treasurer.

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

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

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2014, the School District's investments included nonnegotiable certificates of deposit, mutual funds, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 was \$5,704, which included \$1,215 assigned from other School District funds.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

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

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

**F. Capital Assets**

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

**G. Compensated Absences**

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

**H. Long-Term Obligations**

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

**I. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for music and athletic programs, parochial school subsidies, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**J. Fund Balance**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

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

**Assigned** – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**K. Interfund Activity**

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

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

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

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$764,911.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**4. COMPLIANCE AND ACCOUNTABILITY**

**A. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

For the fiscal year ended June 30, 2014, the IDEA B special revenue fund had final appropriations in excess of estimated resources and available balances, in the amount of \$4,304. Also at June 30, 2014, the General Fund had expenditures plus encumbrances in excess of appropriations for the Board of Education function (legal level of budgetary control), in the amount of \$427. The Treasurer will monitor budgetary activity to ensure that appropriations do not exceed amounts available for appropriation and that expenditures do not exceed amounts appropriated.

**B. Accountability**

At June 30, 2014, the IDEA B, Title I, and Title IID special revenue funds had deficit cash balances of \$4,338, \$5,800, and \$392, respectively, resulting from disbursements in excess of receipts. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

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

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

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,740,272 of the School District's bank balance of \$8,543,730 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**B. Investments**

As of June 30, 2014, the School District had the following investments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

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

	<b>Total</b>	<b>Less Than Six Months</b>	<b>Six Months to Three Years</b>	<b>Over Three Years</b>
Mutual Funds	\$677,244	\$140,254	\$261,360	\$275,630
STAR Ohio	21,323	21,323		
Total	<u>\$698,567</u>	<u>\$161,577</u>	<u>\$261,360</u>	<u>\$275,630</u>

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

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

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2014 taxes were collected are:

	<b>2013 Second- Half Collections</b>		<b>2014 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$243,378,180	97.28%	\$243,424,060	97.20%
Public Utility	6,814,730	2.72%	7,015,400	2.80%
Total Assessed Value	<u>\$250,192,910</u>	<u>100.00%</u>	<u>\$250,439,460</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$58.55		\$58.55	

**7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2014, the School District contracted with the Southwestern Ohio Educational Purchasing Council Insurance Program for the following insurance coverage.

Coverage provided by Great American Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building	71,219,449
Contents	11,816,575

Coverage provided by Lexington Insurance Company is as follows:

Excess Liability	\$5,000,000
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Coverage provided by Travelers Property Casualty Company is as follows:

Boiler and Machinery	\$250,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC), a public entity shared risk pool consisting of fifty-four school districts. The School District pays an annual premium to SOEPC for property and liability insurance coverage. The Executive Committee of SOEPC is responsible for its management and operation. The annual premium provides funding for the Aggregate Loss Fund, excess coverage, claims administration, and membership to SOEPC. The School District's risk within SOEPC is limited to any deductibles and the portion of the premium paid and held within the Aggregate Loss Fund. All annual claims above the amount held within the Aggregate Loss Fund will be paid by the excess liability policy.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

**8. CONTRACTUAL OBLIGATIONS**

As of June 30, 2014, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Gilbane Building Company, Inc.	Construction Management Services	\$52,500
Mays Consulting and Evaluation Services	Masonry Veneer	40,254
Mays Consulting and Evaluation Services	Litigation Support	33,066
MSA Sport	Athletic Complex	138,010

At fiscal year end, the significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General	\$764,911
Building	36,476
Other Governmental	553,796
Total	<u>\$1,355,183</u>

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$881,787 and \$20,845 for the fiscal year ended June 30, 2014, \$1,220,054 and \$23,215 for the fiscal year ended June 30, 2013, and \$1,235,043 and \$23,148 for the fiscal year ended June 30, 2012. For fiscal year 2014, 80 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$15,182 made by the School District and \$11,929 made by the plan members. In addition, member contributions of \$16,378 were made for fiscal year 2014 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

**Plan Description** – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$233,794, \$263,662, and \$251,957, respectively. For fiscal year 2014, 54 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POST-EMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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

**Funding Policy** – Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$70,601, \$95,662, and \$96,836, respectively. For fiscal year 2014, 80 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

**B. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105©. For fiscal year 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$38,529 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$2,499, \$3,220, and \$10,912, respectively. For fiscal year 2014, 54 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$13,564, \$14,894, and \$14,879, respectively. For fiscal year 2014, 54 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**11. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. All two hundred sixty day administrative personnel earn twenty to twenty-five days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and two hundred sixty day administrative personnel upon termination of employment. Teachers do not earn vacation time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**11. OTHER EMPLOYEE BENEFITS (Continued)**

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

**B. Health Care Benefits**

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

**C. Retirement Incentive**

Through June 30, 2014, bus drivers with ten or more years of service with the School District who retire after May 31 in the year of initial eligibility will be paid an additional \$1,250 severance payment.

**12. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	<u>Balance at 6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/14</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
2008 School Improvement Bonds					
Serial Bonds 3.25-5%	\$13,175,000		\$600,000	\$12,575,000	
Term Bonds 5%	10,265,000			10,265,000	
Capital Appreciation Bonds 16.227%	224,998			224,998	\$224,998
Total Governmental Activities	<u>\$23,664,998</u>	<u>\$0</u>	<u>\$600,000</u>	<u>\$23,064,998</u>	<u>\$224,998</u>

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

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

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

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

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

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

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

The School District's overall debt margin was (\$124,513) with an un-voted debt margin of \$243,507 at June 30, 2014. On August 14, 2007, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, were as follows:

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Serial</b>		<b>Term</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015		\$598,763		\$513,250
2016	\$660,000	585,563		513,250
2017	685,000	558,662		513,250
2018	715,000	527,088		513,250
2019	750,000	492,337		513,250
2020-2024	4,305,000	1,892,863		2,566,250
2025-2029	5,460,000	708,381		2,566,250
2030-2034			6,965,000	1,729,375
2035-2036			3,300,000	167,000
Totals	<u>\$12,575,000</u>	<u>\$5,363,657</u>	<u>\$10,265,000</u>	<u>\$9,595,125</u>

  

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>	
	<b>Capital Appreciation</b>	
	<b>Principal</b>	<b>Interest</b>
2015	<u>\$224,998</u>	<u>\$415,002</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**13. FUND BALANCE**

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

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted for:</b>					
Adult Education				\$13,844	\$13,844
Athletics and Music				26,589	26,589
Capital Improvements			\$2,500,681	1,962,248	4,462,929
Debt Service		\$1,024,849			1,024,849
Food Service Operations				744,789	744,789
Non-Public Schools				16,093	16,093
<b>Total Restricted</b>		<b>1,024,849</b>	<b>2,500,681</b>	<b>2,763,563</b>	<b>6,289,093</b>
<b>Assigned for:</b>					
Educational Activities	\$23,273				23,273
Projected Budget Shortage	256,585				256,585
Unpaid Obligations	756,052				756,052
<b>Total Assigned</b>	<b>1,035,910</b>				<b>1,035,910</b>
Unassigned (Deficit)	1,731,838			(10,530)	1,721,308
<b>Total Fund Balance</b>	<b>\$2,767,748</b>	<b>\$1,024,849</b>	<b>\$2,500,681</b>	<b>\$2,753,033</b>	<b>\$9,046,311</b>

**14. SET ASIDES**

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

	<u>Capital Improvements</u>
Balance June 30, 2013	
Current Year Set Aside Requirement	\$357,484
Qualifying Expenditures	
Current Year Offsets	(357,484)
Balance June 30, 2014	<u>\$0</u>

**15. INTERFUND TRANSFERS**

During fiscal year 2014, other governmental funds made transfers, in the amount of \$217, to the General Fund to close out a fund.

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2014, the School District paid \$36,003 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

**B. Auglaize County Educational Academy**

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

**17. INSURANCE POOLS**

**A. Southwestern Ohio Educational Purchasing Council Insurance Program**

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

SOEPC's business and affairs are conducted by an Executive Council of eight participating school administrators and the director of the SOEPC. Participation in SOEPC is by written application subject to acceptance by the Executive Council and the payment of the annual premium. The Administrator of SOEPC is Arthur J. Gallagher Risk Management Services which coordinates the management, administration, claims management, and actuarial studies of SOEPC. Insurance premiums are paid to SOEPC. Financial information can be obtained from Southwestern Ohio Educational Purchasing Council Insurance Program, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**B. Mercer-Auglaize Area Schools Employee Welfare Benefit Trust**

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

**ST. MARYS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 30, 2014  
(Continued)**

**17. INSURANCE POOLS (Continued)**

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

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

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

**18. RELATED ORGANIZATION**

The St. Marys Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the St. Marys City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Marys Community Public Library, 140 South Chestnut Street, St. Marys, Ohio 45855.

**19. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**B. Litigation**

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

**20. SUBSEQUENT EVENT**

On September 9, 2014, the Board authorized the issuance of bonds in the amount of not to exceed \$20,780,000 for the purpose of advance refunding a portion of the 2008 School Improvement General Obligation Bonds.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$6,318		\$6,318
National School Lunch Program (Food Distribution)	10.555		120,041		120,041
Cash Assistance					
School Breakfast Program	10.553	\$53,062		\$53,062	
National School Lunch Program	10.555	387,750		387,750	
Total Nutrition Cluster		<u>440,812</u>	<u>126,359</u>	<u>440,812</u>	<u>126,359</u>
Total U.S. Department of Agriculture		<u>440,812</u>	<u>126,359</u>	<u>440,812</u>	<u>126,359</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
(Passed through Ohio Department of Education)					
Title 1 Grants to Local Educational Agencies	84.010	264,668		269,759	
Special Education Grants to States	84.027	471,002		477,731	
Improving Teacher Quality State Grants	84.367	64,569		58,206	
ARRA Race-to-the-Top Incentive Grant, Recovery Grant	84.395	2,100		2,100	
Total U.S. Department of Education		<u>802,339</u>		<u>807,796</u>	
Total Federal Assistance		<u>\$1,243,151</u>	<u>\$126,359</u>	<u>\$1,248,608</u>	<u>\$126,359</u>

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

**ST MARYS CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - PASS THROUGH FUNDS**

The School District was awarded federal program allocations to be administered on their behalf by area Educational Service Centers (ESC). For 2014 the School District's allocations were as follows:

- Special Education Preschool Grant CFDA# 84.173: Auglaize County ESC           \$23,814
- Title III, English Language Acquisition Grants CFDA# 84.365: Mercer County ESC   \$841



# 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

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

To the Board of Education:

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, each major fund, and the aggregate remaining fund information of the St. Marys City School District, Auglaize County (the School District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 4, 2014 wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

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

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District'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 School District'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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***Entity's Response to Findings***

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

***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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 4, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH OF THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited St. Marys City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect St. Marys City School District's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the School District's compliance for the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the St. Marys City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 4, 2014

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: National School Lunch Program CFDA# 10.555, School Breakfast Program CFDA# 10.553
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2014-001**

**Noncompliance Citation**

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

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

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

**OFFICIALS' RESPONSE:**

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

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code Sec. 117.28 and Ohio Admin. Code Sec. 117-02-03 (B) – Failed to prepare financial statements in accordance with GAAP	No	Repeat as Finding 2014-001

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# Dave Yost • Auditor of State

**ST. MARYS CITY SCHOOL DISTRICT**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2014**