

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

*Basic  
Financial Statements*  
(Audited)

For The Year Ended  
December 31, 2005

**DOUGLAS M. RIESEN, CITY AUDITOR**





**Auditor of State  
Betty Montgomery**

Members of Council  
City of St. Marys  
101 East Spring Street  
St. Marys, Ohio 45885

We have reviewed the *Independent Auditors' Report* of the City of St. Marys, Auglaize County, prepared by Julian & Grube, Inc. for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of St. Marys is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 14, 2006

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

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## Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
June 23, 2006

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 UNAUDITED

The Management's Discussion and Analysis of the City of St. Marys (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the City increased \$2,293,282. Net assets of governmental activities increased \$1,050,114 or 3.76% over 2004 and net assets of business-type activities increased \$1,243,168 or 6.28% from 2004.
- General revenues accounted for \$6,595,292 of total governmental activities revenue. Program specific revenues accounted for \$1,401,492 or 17.53% of total governmental activities revenue.
- The City had \$6,033,298 in expenses related to governmental activities; \$1,401,492 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,631,806 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,595,292.
- The general fund had revenues of \$5,382,878 in 2005. This represents an increase of \$642,766 from 2004 revenues. The expenditures of the general fund, which totaled \$3,024,570 in 2005, increased \$203,556 from 2004. The net increase in fund balance for the general fund was \$210,717 or 5.02%.
- The voted income tax fund had revenues of \$1,463,801 in 2005. This represents an increase of \$177,296 from 2004 revenues. The expenditures of the voted income tax fund, which totaled \$1,257,443 in 2005, decreased \$203,051 from 2004. The net increase in fund balance for the voted income tax fund was \$206,358 or 7.34%.
- The capital improvements fund had no revenue in 2005. The expenditures of the capital improvements fund totaled \$1,199 in 2005. The net increase in fund balance for the capital improvements fund was \$272,661 or 12.67%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, Electric and Refuse enterprise funds, increased in 2005 by \$1,243,168. This increase in net assets was due primarily to operating income and an increase in transfers.
- In the general fund, the actual revenues and other financing sources came in \$927,108 higher than they were in the final budget and actual expenditures and other financing uses were \$979,935 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$400,000 from the original to the final budget. Budgeted expenditures and other financing uses increased \$562,505 from the original to the final budget as a result of an anticipated increase in wages and benefits.

#### Using this Annual Financial Report

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

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 UNAUDITED

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

#### **Reporting the City as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

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

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

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

##### *Fund Financial Statements*

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

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

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 UNAUDITED

#### ***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the Voted Income Tax fund and the capital improvements fund. The Voted Income Tax fund represents a 0.5% income tax levy earmarked for safety capital improvements. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23 - 27 of this report.

#### ***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 28 - 35 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 36 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37 - 70 of this report.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Government-Wide Financial Analysis**

This is the City's government-wide financial statements using the full accrual basis of accounting.

The table below provides a summary of the City's net assets for 2005 and 2004:

	<b>Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>						
Current and other assets	\$ 15,354,600	\$ 14,609,564	\$ 12,731,931	\$ 12,820,384	\$ 28,086,531	\$ 27,429,948
Capital assets	<u>15,788,224</u>	<u>15,683,708</u>	<u>18,818,541</u>	<u>18,985,669</u>	<u>34,606,765</u>	<u>34,669,377</u>
Total assets	<u>31,142,824</u>	<u>30,293,272</u>	<u>31,550,472</u>	<u>31,806,053</u>	<u>62,693,296</u>	<u>62,099,325</u>
<u>Liabilities</u>						
Long-term liabilities	623,612	1,790,075	6,440,724	4,556,718	7,064,336	6,346,793
Other liabilities	<u>1,509,578</u>	<u>543,677</u>	<u>4,063,024</u>	<u>7,445,779</u>	<u>5,572,602</u>	<u>7,989,456</u>
Total liabilities	<u>2,133,190</u>	<u>2,333,752</u>	<u>10,503,748</u>	<u>12,002,497</u>	<u>12,636,938</u>	<u>14,336,249</u>
<u>Net Assets</u>						
Invested capital assets, net of related debt	14,884,234	14,477,708	13,177,391	11,917,402	28,061,625	26,395,110
Restricted	8,759,999	7,880,346	796,896	1,999,372	9,556,895	9,879,718
Unrestricted	<u>5,365,401</u>	<u>5,601,466</u>	<u>7,072,437</u>	<u>5,886,782</u>	<u>12,437,838</u>	<u>11,488,248</u>
Total net assets	<u>\$ 29,009,634</u>	<u>\$ 27,959,520</u>	<u>\$ 21,046,724</u>	<u>\$ 19,803,556</u>	<u>\$ 50,056,358</u>	<u>\$ 47,763,076</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$50,056,358. At year-end, net assets were \$29,009,634 and \$21,046,724 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 55.20% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$14,884,234 and \$13,177,391 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2005, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

A portion of the City's net assets, \$9,556,895, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$5,365,401 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2005 and 2004.

	<b>Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 697,609	\$ 614,766	\$ 15,416,742	\$ 13,764,293	\$ 16,114,351	\$ 14,379,059
Operating grants and contributions	370,277	327,731	-	-	370,277	327,731
Capital grants and contributions	<u>333,606</u>	<u>181,504</u>	<u>270,659</u>	<u>-</u>	<u>604,265</u>	<u>181,504</u>
Total program revenues	<u>1,401,492</u>	<u>1,124,001</u>	<u>15,687,401</u>	<u>13,764,293</u>	<u>17,088,893</u>	<u>14,888,294</u>
General revenues:						
Property taxes	1,211,035	1,161,644	-	-	1,211,035	1,161,644
Income taxes	4,157,348	3,786,476	-	-	4,157,348	3,786,476
Other local taxes	-	-	-	-	-	-
Unrestricted grants	597,875	547,871	-	-	597,875	547,871
Interest	510,968	249,624	233,635	185,446	744,603	435,070
Miscellaneous	<u>118,066</u>	<u>97,403</u>	<u>313,165</u>	<u>233,814</u>	<u>431,231</u>	<u>331,217</u>
Total general revenues	<u>6,595,292</u>	<u>5,843,018</u>	<u>546,800</u>	<u>419,260</u>	<u>7,142,092</u>	<u>6,262,278</u>
Total revenues	<u>7,996,784</u>	<u>6,967,019</u>	<u>16,234,201</u>	<u>14,183,553</u>	<u>24,230,985</u>	<u>21,150,572</u>
Expenses:						
General government	1,104,485	711,894	-	-	1,104,485	711,894
Security of persons and property	2,686,299	2,135,807	-	-	2,686,299	2,135,807
Public health and welfare	13,157	18,236	-	-	13,157	18,236
Transportation	1,577,100	1,613,609	-	-	1,577,100	1,613,609
Community environment	230,584	24,462	-	-	230,584	24,462
Leisure time activity	377,234	356,275	-	-	377,234	356,275
Interest and fiscal charges	44,439	44,739	-	-	44,439	44,739
Water	-	-	1,222,450	1,184,213	1,222,450	1,184,213
Sewer	-	-	1,276,377	1,065,927	1,276,377	1,065,927
Electric	-	-	12,296,123	12,048,934	12,296,123	12,048,934
Refuse	<u>-</u>	<u>-</u>	<u>1,109,455</u>	<u>700,735</u>	<u>1,109,455</u>	<u>700,735</u>
Total expenses	<u>6,033,298</u>	<u>4,905,022</u>	<u>15,904,405</u>	<u>14,999,809</u>	<u>21,937,703</u>	<u>19,904,831</u>
Increase (decrease) in net assets before transfers	1,963,486	2,061,997	329,796	(816,256)	2,293,282	1,245,741
Transfers	<u>(913,372)</u>	<u>(817,703)</u>	<u>913,372</u>	<u>817,703</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ 1,050,114</u>	<u>\$ 1,244,294</u>	<u>\$ 1,243,168</u>	<u>\$ 1,447</u>	<u>\$ 2,293,282</u>	<u>\$ 1,245,741</u>

CITY OF ST. MARYS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED

**Governmental Activities**

Governmental activities net assets increased \$1,050,114 in 2005. This increase is the result of an increase in revenues and expenses due to the City's conservative budgeting.

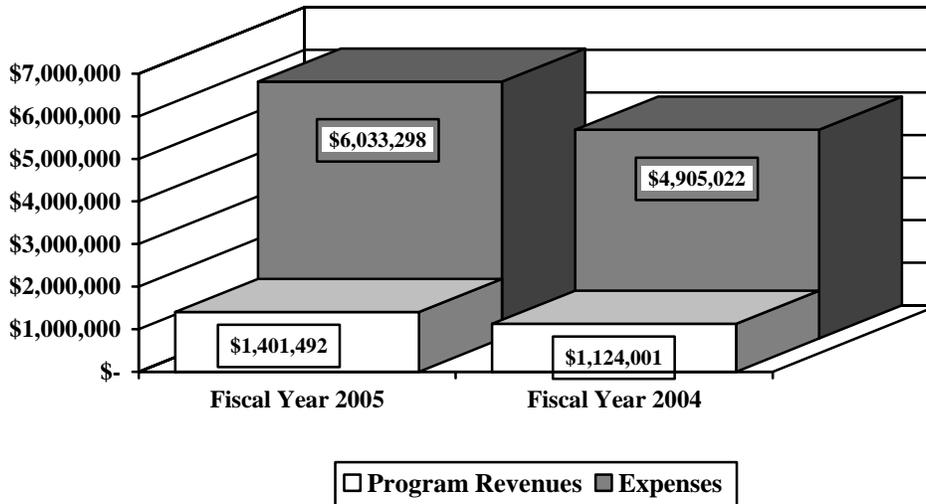
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$2,686,299 of the total expenses of the City. These expenses were partially funded by \$276,976 in direct charges to users of the services. Transportation expenses totaled \$1,577,100. Transportation expenses were partially funded by \$15,020 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$370,277 in operating grants and contributions and \$333,606 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$362,721, subsidized transportation programs, and \$7,556 subsidized security of persons and property. Of the total capital grants and contributions, \$55,326, subsidized transportation programs and \$180,656 subsidized security of persons and property.

General revenues totaled \$6,595,292, and amounted to 82.47% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,368,383. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$597,875.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

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



**CITY OF ST. MARYS, OHIO**

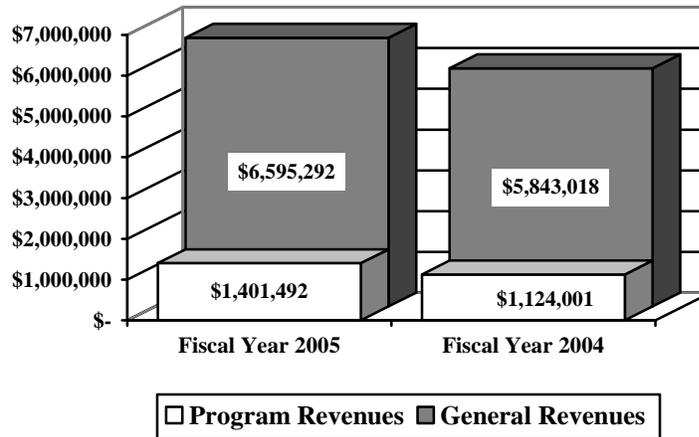
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Governmental Activities**

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses:				
General government	\$ 1,104,485	\$ 906,413	\$ 711,894	\$ 396,136
Security of persons and property	2,686,299	2,221,111	2,135,807	2,112,094
Public health and welfare	13,157	10,658	18,236	(53,375)
Transportation	1,577,100	1,144,033	1,613,609	1,136,797
Community environment	230,584	224,405	24,462	8,373
Leisure time activity	377,234	231,952	356,275	270,489
Interest and fiscal charges	<u>44,439</u>	<u>(106,766)</u>	<u>44,739</u>	<u>(89,493)</u>
 Total expenses	 <u>\$ 6,033,298</u>	 <u>\$ 4,631,806</u>	 <u>\$ 4,905,022</u>	 <u>\$ 3,781,021</u>

The dependence upon general revenues for governmental activities is apparent, with 76.77% of expenses supported through taxes and other general revenues.

**Governmental Activities - General and Program Revenues**



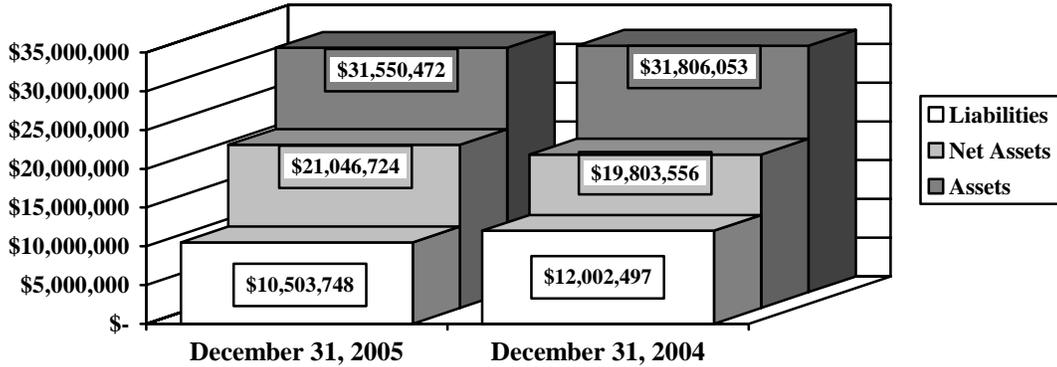
**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Business-Type Activities**

Business-type activities include the water, sewer, electric and refuse enterprise funds. These programs had program revenues of \$15,687,401, general revenues of \$546,800 and expenses of \$15,904,405 for 2005. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business - Type Activities**



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

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$12,599,553 which is \$1,001,320 higher than last year's total of \$11,598,233. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

	<u>Fund Balances</u> 12/31/05	<u>Fund Balances</u> 12/31/04	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 4,404,474	\$ 4,193,757	\$ 210,717
Voted income tax	3,017,636	2,811,278	206,358
Recreational Facility Construction	2,424,201	(707,549)	3,131,750
Other Nonmajor Governmental Funds	<u>2,753,242</u>	<u>5,300,747</u>	<u>(2,547,505)</u>
 Total	 <u>\$ 12,599,553</u>	 <u>\$ 11,598,233</u>	 <u>\$ 1,001,320</u>

***General Fund***

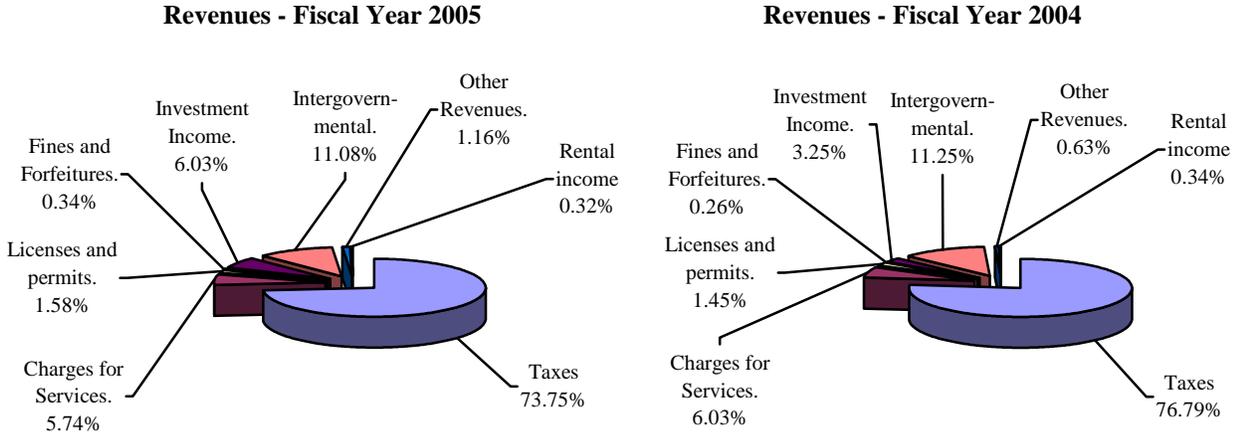
The City's general fund balance increased \$210,717 primarily due to the net effect of an increase in revenues, an increase in expenses, and an increase in transfers out. The table that follows assists in illustrating the revenues of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,969,841	\$ 3,639,922	9.06 %
Charges for services	308,956	285,758	8.12 %
Licenses and permits	84,850	68,576	23.73 %
Fines and forfeitures	18,402	12,377	48.68 %
Investment income	324,831	154,214	110.64 %
Rental income	16,917	16,089	5.15 %
Intergovernmental	596,475	533,270	11.85 %
Other	<u>62,606</u>	<u>29,906</u>	109.34 %
 Total	 <u>\$ 5,382,878</u>	 <u>\$ 4,740,112</u>	 13.56 %

Tax revenues increased \$329,919 or 9.06% from the prior year. This increase is attributed to an increase in both income tax revenues and property tax revenues. The increase in investment income is due to higher interest rates available to the City on monies held in depository and investment accounts. All other revenues remained comparable to 2004.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**



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

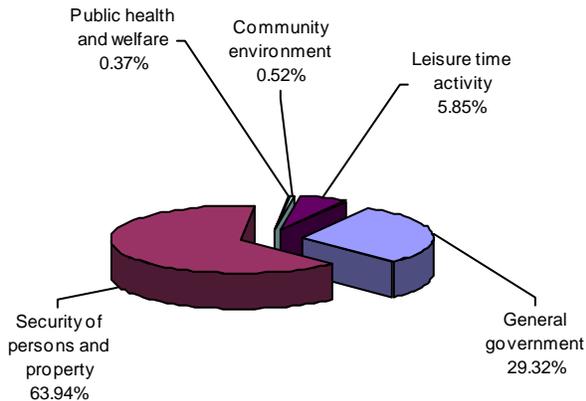
	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percent</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 886,678	\$ 673,202	31.71 %
Security of person and property	1,934,131	1,943,689	(0.49) %
Public health and welfare	11,224	17,522	(35.94) %
Community environment	15,632	20,384	(23.31) %
Leisure time activity	<u>176,905</u>	<u>166,217</u>	6.43 %
Total	<u>\$ 3,024,570</u>	<u>\$ 2,821,014</u>	7.22 % <sub>s</sub>

General government expenditures increased by \$213,476 or 31.71%. This increase is attributed to an increase in accrued wages and benefits. All other expenditures remained comparable to 2004.

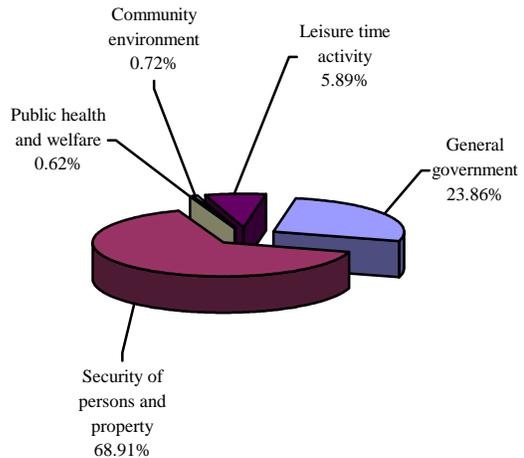
CITY OF ST. MARYS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
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Expenditures - Fiscal Year 2005



Expenditures - Fiscal Year 2004



***Voted Income Tax Fund***

The voted income tax fund had revenues of \$1,463,801 in 2005. This represents an increase of \$177,296 from 2004 revenues. The expenditures of the voted income tax fund, which totaled \$1,257,443 in 2005, decreased \$203,051 from 2004. The net increase in fund balance for the voted income tax fund was \$206,358 or 7.34%.

***Capital Improvements Fund***

The capital improvements fund had no revenue in 2005. The expenditures of the capital improvements fund totaled \$1,199 in 2005. The net increase in fund balance for the capital improvements fund was \$272,661 or 12.67%.

***Budgeting Highlights - General Fund***

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

Budgetary information is presented for the general fund. In the general fund one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$562,505 from \$8,993,858 to \$9,556,363. Actual revenues and other financing sources of \$8,667,562 increased from the final budgeted revenues by \$927,108. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures and other financing uses came in \$979,935 lower than the final budgeted amounts.

**CITY OF ST. MARYS, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

***Proprietary Funds***

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

***Water Fund***

The water fund had operating revenues of \$1,205,214 in 2005. This represents a decrease of \$35,085 from 2004 operating revenues. The operating expenses of the water fund, which totaled \$1,171,912 in 2005, increased \$72,992 from 2004. The increase in net assets for the water fund was \$162,539 or 2.67%.

***Sewer Fund***

The sewer fund had operating revenues of \$1,308,768 in 2005. This represents an increase of \$5,187 from 2004 operating revenues. The operating expenses of the sewer fund, which totaled \$1,174,621 in 2005, increased \$233,705 from 2004. The increase in net assets for the sewer fund was \$186,678 or 3.61%.

***Electric Fund***

The electric fund had operating revenues of \$12,338,704 in 2005. This represents an increase of \$1,771,195 from 2004 operating revenues. The operating expenses of the electric fund, which totaled \$12,196,335 in 2005, increased \$1,035,579 from 2004. The increase in net assets for the electric fund was \$949,575 or 9.12%.

***Refuse Fund***

The refuse fund had operating revenues of \$865,434 in 2005. This represents a decrease of \$9,492 from 2004 operating revenues. The operating expenses of the refuse fund, which totaled \$1,104,009 in 2005, increased \$453,895 from 2004. The decrease in net assets for the refuse fund was \$146,848 or 8.29%.

**CITY OF ST. MARYS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Capital Assets and Debt Administration**

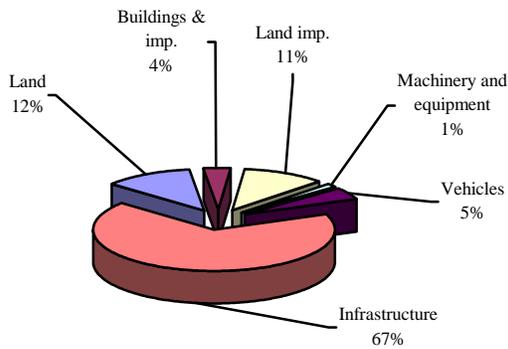
*Capital Assets*

At the end of fiscal 2005, the City had \$34,606,765 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Of this total, \$15,788,224 was reported in governmental activities and \$18,818,541 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

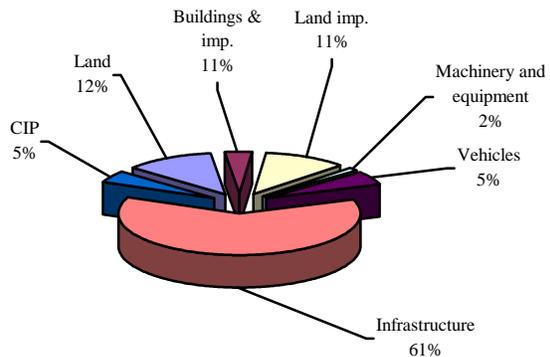
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 1,881,561	\$ 1,881,561	\$ 1,194,470	\$ 1,194,470	\$ 3,076,031	\$ 3,076,031
Land improvements	1,758,738	580,369	2,874,680	3,052,018	4,633,418	3,632,387
Buildings and improvements	561,530	1,732,257	1,656,118	1,759,080	2,217,648	3,491,337
Machinery and equipment	233,120	246,642	2,283,085	2,510,763	2,516,205	2,757,405
Vehicles	728,642	787,948	491,016	484,227	1,219,658	1,272,175
Infrastructure	10,624,633	9,711,866	10,319,172	9,985,111	20,943,805	19,696,977
Construction in progress	-	743,065	-	-	-	743,065
<b>Total</b>	<b>\$ 15,788,224</b>	<b>\$ 15,683,708</b>	<b>\$ 18,818,541</b>	<b>\$ 18,985,669</b>	<b>\$ 34,606,765</b>	<b>\$ 34,669,377</b>

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

**Capital Assets - Governmental Activities  
2005**



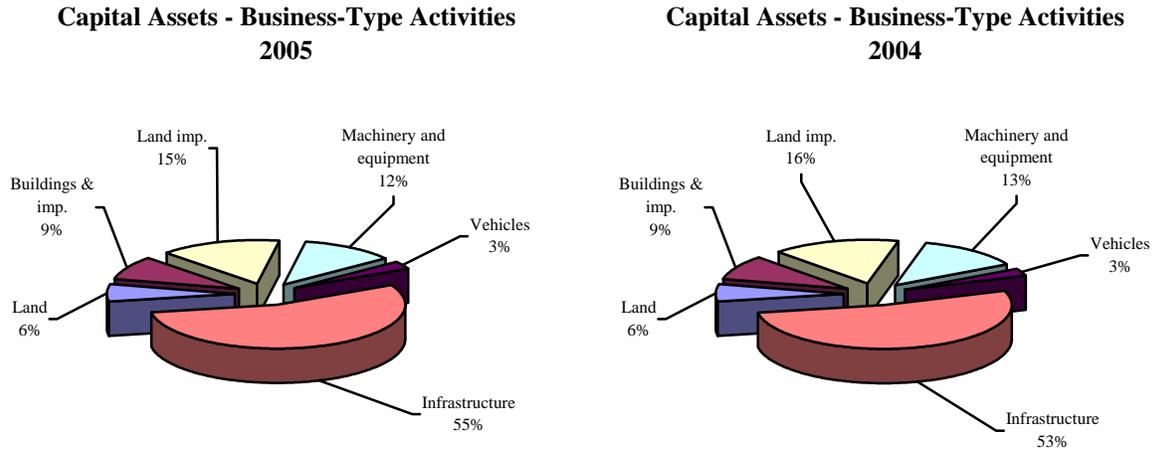
**Capital Assets - Governmental Activities  
2004**



The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, right-of-way, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 67% of the City's total governmental capital assets.

**CITY OF ST. MARYS, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.



The City's largest business-type capital asset category is infrastructure. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 55% of the City's total business-type capital assets. Additional information on the City's capital assets can be found in Note 10.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

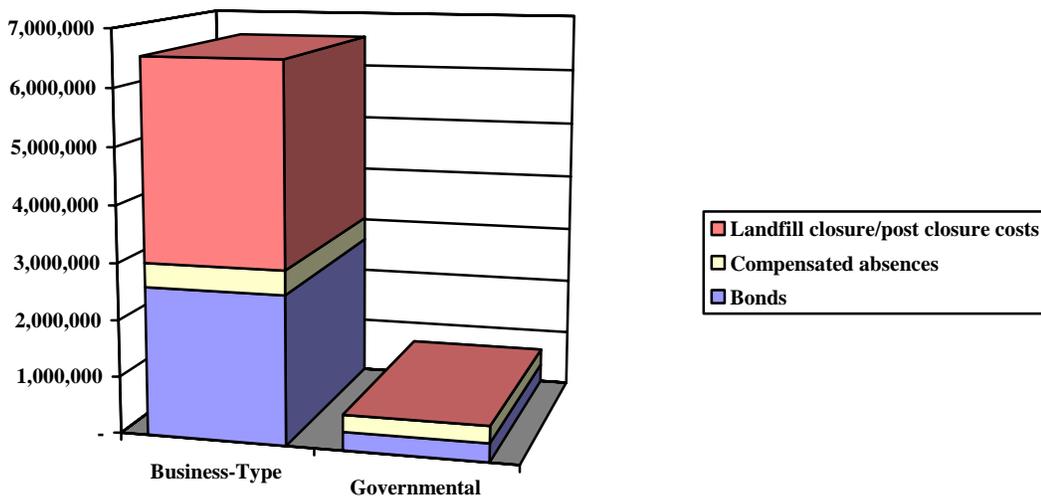
	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Special assessment bonds	\$ 323,490	\$ 282,000
Compensated absences	<u>300,122</u>	<u>261,677</u>
Total long-term obligations	<u>\$ 623,612</u>	<u>\$ 543,677</u>
	Business-Type Activities	
Revenue bonds	\$ 1,020,000	\$ 2,020,000
General obligation bonds	<u>1,589,175</u>	<u>1,659,974</u>
Total bonds	<u>2,609,175</u>	<u>3,679,974</u>
Compensated absences	423,124	377,642
Landfill closure/post closure costs	<u>3,513,450</u>	<u>3,516,870</u>
Total long-term obligation	<u>\$ 6,545,749</u>	<u>\$ 7,574,486</u>

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

CITY OF ST. MARYS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
UNAUDITED

Long-term obligations



**Economic Conditions and Outlook**

The largest industrial manufacturing plant in St. Marys remains the Goodyear Tire & Rubber Company, with an employment of 600 employees at the local plant. Goodyear has kept the local plant competitive and responsible to the global marketplace changes. The primary products produced at the local Goodyear plant today are agricultural rubber tracks called the “trackman” and military rubber tank treads produced for use on the Army’s primary battle tank, the Abrams M1 tank, which is produced in Lima.

The industrial base in St. Marys has been greatly diversified over the past 15 years, primarily due to the success of several Japanese companies that started production in St. Marys during the late 1980’s.

Setex was the first Japanese company to call St. Marys home when it started the production of automobile seats for Honda in the late 1980’s. Over the past 15 years, Setex has experienced tremendous growth, with employment levels increasing from the initial 65 employees to the current 525 employees. Setex also increased production capacity significantly by first doubling the size of their initial plant and later constructing a new manufacturing plant to permit production of seats for a variety of Honda automobile lines.

AAP St. Marys Corporation, a division of Hitachi Metals America Ltd., established their aluminum wheel casting plant in St. Marys in 1988. AAP St. Marys has also experienced tremendous growth, with employment levels increasing from the initial 65 employees to the 450 employees today. These 450 employees provide a key component of the stable industrial base in St. Marys.

St. Marys also has other manufacturing industries that add stability to the local economy. Parker Hannifin Corporation, employing 175 workers, manufactures hydraulic cylinder components and recently constructed a new plant in the City. Omni Manufacturing Inc., a metal tooling and stamping plant, has enjoyed steady growth with an employment level near 130. In addition, the St. Marys Foundry, ProPet Classic Delight, MTO, and others combine to offer diverse manufacturing jobs for families in the St. Marys area.

Joint Township District Memorial Hospital has just completed a multi-million dollar expansion project that will

## CITY OF ST. MARYS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 UNAUDITED

further enhance an already excellent level of health care for St. Marys and the entire region. Joint Township District Memorial Hospital remains the top non-manufacturing sector employer with over 650 workers.

The diversity of the manufacturing sector bodes well for the economy of St. Marys. If there is an occasional slow-down at one individual industry, it is hoped that St. Marys' diverse employment opportunities are strong enough to withstand any economic slow-down that may occur.

#### **For the Future**

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

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

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

Our future promises to be even brighter than our historic past. St. Marys is a community of nearly 9,000 residents. The people embrace a lifestyle based on strong family values. Caring for and respecting our neighbors is a way of life. The police, fire, and EMS forces offer hometown security only experienced in a rural setting such as St. Marys. Utility services offered by the City are some of the most reliable and economical in the entire region.

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

From the early canal days and into the 21st century, industry has found a home in St. Marys. Businesses have been retained, with many undergoing expansions. The cooperative attitude between business and government has also resulted in many new industrial additions to the community over the past 15 years.

#### **Contacting the City's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF ST. MARYS, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 11,751,249	\$ 8,227,207	\$ 19,978,456
Investments . . . . .	-	323,490	323,490
Cash in segregated accounts . . . . .	19,843	-	19,843
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	779,567	-	779,567
Real and other taxes . . . . .	522,080	61,273	583,353
Accounts . . . . .	124,346	1,275,674	1,400,020
Special assessments . . . . .	334,525	515	335,040
Loans . . . . .	1,135,838	-	1,135,838
Accrued interest . . . . .	4,714	2,398	7,112
Internal balance . . . . .	58,621	(58,621)	-
Due from other governments . . . . .	448,793	6,179	454,972
Prepayments . . . . .	89,710	179,648	269,358
Materials and supplies inventory . . . . .	68,110	423,660	491,770
Investment in joint venture . . . . .	-	1,322,514	1,322,514
Unamortized bond issue costs . . . . .	-	35,180	35,180
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	-	389,008	389,008
Deposits in segregated accounts . . . . .	-	332,786	332,786
Refundable deposits . . . . .	-	211,020	211,020
Cash with fiscal agent . . . . .	17,204	-	17,204
Capital assets:			
Land . . . . .	1,881,561	1,194,470	3,076,031
Depreciable capital assets, net . . . . .	13,906,663	17,624,071	31,530,734
Total capital assets . . . . .	<u>15,788,224</u>	<u>18,818,541</u>	<u>34,606,765</u>
Total assets . . . . .	<u>31,142,824</u>	<u>31,550,472</u>	<u>62,693,296</u>

-continued

**CITY OF ST. MARYS, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 54,425	\$ 540,675	\$ 595,100
Contracts payable . . . . .	5,800	41,055	46,855
Retainage payable . . . . .	39,782	2,394	42,176
Accrued wages and benefits . . . . .	53,677	49,805	103,482
Due to other governments . . . . .	118,086	40,088	158,174
Claims payable . . . . .	77,338	-	77,338
Judgements payable . . . . .	7,000	-	7,000
Deferred revenue . . . . .	515,741	-	515,741
Accrued interest payable . . . . .	7,729	40,265	47,994
Notes payable . . . . .	630,000	3,137,000	3,767,000
Payable from restricted assets:			
Accrued interest payable . . . . .	-	722	722
Refundable deposits . . . . .	-	211,020	211,020
Long-term liabilities:			
Due within one year . . . . .	175,186	428,994	604,180
Due in more than one year . . . . .	448,426	6,011,730	6,460,156
	<hr/>	<hr/>	<hr/>
Total liabilities . . . . .	2,133,190	10,503,748	12,636,938
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	14,884,234	13,177,391	28,061,625
Restricted for:			
Capital projects . . . . .	5,184,858	-	5,184,858
Debt service . . . . .	345,795	-	345,795
Operations . . . . .	-	369,082	369,082
Improvements and replacements . . . . .	-	427,814	427,814
Transportation projects . . . . .	1,048,452	-	1,048,452
Community improvements . . . . .	2,157,039	-	2,157,039
Other purposes . . . . .	23,855	-	23,855
Unrestricted . . . . .	5,365,401	7,072,437	12,437,838
	<hr/>	<hr/>	<hr/>
Total net assets . . . . .	<u>\$ 29,009,634</u>	<u>\$ 21,046,724</u>	<u>\$ 50,056,358</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 1,104,485	\$ 126,039	\$ -	\$ 72,033
Security of persons and property . . . . .	2,686,299	276,976	7,556	180,656
Public health and welfare . . . . .	13,157	1,590	-	909
Transportation. . . . .	1,577,100	15,020	362,721	55,326
Community environment . . . . .	230,584	2,215	-	3,964
Leisure time activity . . . . .	377,234	124,564	-	20,718
Interest and fiscal charges. . . . .	44,439	151,205	-	-
<b>Total governmental activities . . . . .</b>	<b>6,033,298</b>	<b>697,609</b>	<b>370,277</b>	<b>333,606</b>
<b>Business-type Activities:</b>				
Water . . . . .	1,222,450	1,167,551	-	164,391
Sewer . . . . .	1,276,377	1,297,556	-	106,268
Electric . . . . .	12,296,123	12,103,704	-	-
Refuse . . . . .	1,109,455	847,931	-	-
<b>Total business-type activities . . . . .</b>	<b>15,904,405</b>	<b>15,416,742</b>	<b>-</b>	<b>270,659</b>
<b>Total primary government . . . . .</b>	<b>\$ 21,937,703</b>	<b>\$ 16,114,351</b>	<b>\$ 370,277</b>	<b>\$ 604,265</b>

**General Revenues:**

Property taxes levied for:	
General purposes. . . . .	
Police and fire pension. . . . .	
Income taxes levied for:	
General purposes. . . . .	
Capital projects . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
<b>Total general revenues. . . . .</b>	
Transfers. . . . .	
Change in net assets. . . . .	
<b>Net assets at beginning of year . . . . .</b>	
<b>Net assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (906,413)	\$ -	\$ (906,413)
(2,221,111)	-	(2,221,111)
(10,658)	-	(10,658)
(1,144,033)	-	(1,144,033)
(224,405)	-	(224,405)
(231,952)	-	(231,952)
106,766	-	106,766
<u>(4,631,806)</u>	<u>-</u>	<u>(4,631,806)</u>
-	109,492	109,492
-	127,447	127,447
-	(192,419)	(192,419)
-	(261,524)	(261,524)
<u>-</u>	<u>(217,004)</u>	<u>(217,004)</u>
<u>(4,631,806)</u>	<u>(217,004)</u>	<u>(4,848,810)</u>
1,135,685	-	1,135,685
75,350	-	75,350
2,823,179	-	2,823,179
1,334,169	-	1,334,169
597,875	-	597,875
510,968	233,635	744,603
118,066	313,165	431,231
6,595,292	546,800	7,142,092
<u>(913,372)</u>	<u>913,372</u>	<u>-</u>
1,050,114	1,243,168	2,293,282
27,959,520	19,803,556	47,763,076
<u>\$ 29,009,634</u>	<u>\$ 21,046,724</u>	<u>\$ 50,056,358</u>

**CITY OF ST. MARYS, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

	<u>General</u>	<u>Voted Income Tax</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 4,028,105	\$ 2,955,006	\$ 2,424,201	\$ 2,285,478	\$ 11,692,790
Receivables (net of allowance for uncollectibles):					
Income taxes. . . . .	522,310	257,257	-	-	779,567
Real and other taxes. . . . .	423,662	-	-	98,418	522,080
Accounts. . . . .	30,585	-	-	915	31,500
Special assessments . . . . .	-	-	-	334,525	334,525
Loans . . . . .	-	-	-	1,135,838	1,135,838
Accrued interest . . . . .	3,748	880	-	-	4,628
Due from other funds. . . . .	66,748	-	-	-	66,748
Due from other governments . . . . .	276,396	-	-	172,397	448,793
Prepayments . . . . .	77,742	-	-	11,968	89,710
Materials and supplies inventory . . . . .	24,503	-	-	13,321	37,824
Restricted assets:					
Cash with fiscal agent. . . . .	-	-	-	17,204	17,204
<b>Total assets . . . . .</b>	<b><u>\$ 5,453,799</u></b>	<b><u>\$ 3,213,143</u></b>	<b><u>\$ 2,424,201</u></b>	<b><u>\$ 4,070,064</u></b>	<b><u>\$ 15,161,207</u></b>
<b>Liabilities:</b>					
Accounts payable. . . . .	\$ 34,212	\$ 9,540	\$ -	\$ 10,169	\$ 53,921
Contracts payable . . . . .	5,800	-	-	-	5,800
Retainage payable. . . . .	-	39,782	-	-	39,782
Accrued wages and benefits . . . . .	45,978	-	-	6,567	52,545
Compensated absences payable. . . . .	-	-	-	5,057	5,057
Due to other governments . . . . .	35,915	3,548	-	77,867	117,330
Judgements payable . . . . .	7,000	-	-	-	7,000
Deferred revenue. . . . .	920,420	142,637	-	587,162	1,650,219
Notes payable . . . . .	-	-	-	630,000	630,000
<b>Total liabilities . . . . .</b>	<b><u>1,049,325</u></b>	<b><u>195,507</u></b>	<b><u>-</u></b>	<b><u>1,316,822</u></b>	<b><u>2,561,654</u></b>
<b>Fund balances:</b>					
Reserved for encumbrances . . . . .	47,300	211,791	789	140,031	399,911
Reserved for materials and supplies inventory. . . . .	24,503	-	-	13,321	37,824
Reserved for prepayments . . . . .	77,742	-	-	11,968	89,710
Reserved for loans . . . . .	-	-	-	1,135,838	1,135,838
Reserved for debt service . . . . .	-	-	-	30,476	30,476
Reserved for restricted assets. . . . .	-	-	-	17,204	17,204
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	4,254,929	-	-	-	4,254,929
Special revenue funds. . . . .	-	-	-	1,819,090	1,819,090
Capital projects funds. . . . .	-	2,805,845	2,423,412	(414,686)	4,814,571
<b>Total fund balances. . . . .</b>	<b><u>4,404,474</u></b>	<b><u>3,017,636</u></b>	<b><u>2,424,201</u></b>	<b><u>2,753,242</u></b>	<b><u>12,599,553</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 5,453,799</u></b>	<b><u>\$ 3,213,143</u></b>	<b><u>\$ 2,424,201</u></b>	<b><u>\$ 4,070,064</u></b>	<b><u>\$ 15,161,207</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005

<b>Total governmental fund balances</b>	\$	12,599,553
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.		15,738,724
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income tax revenue	\$ 429,567	
Property tax revenue	23,084	
Special assessment revenue	334,525	
Intergovernmental revenue	342,674	
Interest revenue	4,628	
Total		1,134,478
The internal service funds are used by management to charge the costs of employee insurance and the maintenance garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net assets of the internal service funds, including an internal balance of \$8,127, are:		155,022
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in internal service funds) are as follows:		
Special assessment bonds	(323,490)	
Accrued interest	(7,729)	
Compensated absences	(286,924)	
Total		(618,143)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>29,009,634</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Voted Income Tax</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Income taxes . . . . .	\$ 2,839,120	\$ 1,342,021	\$ -	\$ -	\$ 4,181,141
Real and other taxes . . . . .	1,130,721	-	-	74,254	1,204,975
Charges for services . . . . .	308,956	-	-	99,502	408,458
Licenses, permits and fees . . . . .	84,850	-	-	-	84,850
Fines and forfeitures . . . . .	18,402	-	-	2,757	21,159
Special assessments . . . . .	-	-	-	97,106	97,106
Intergovernmental . . . . .	596,475	-	-	681,135	1,277,610
Investment income . . . . .	324,831	79,568	-	99,960	504,359
Rental income . . . . .	16,917	-	-	-	16,917
Other . . . . .	62,606	42,212	-	13,248	118,066
Total revenues . . . . .	<u>5,382,878</u>	<u>1,463,801</u>	<u>-</u>	<u>1,067,962</u>	<u>7,914,641</u>
<b>Expenditures:</b>					
Current:					
General government . . . . .	886,678	-	-	-	886,678
Security of persons and property . . . . .	1,934,131	-	-	295,630	2,229,761
Public health and welfare . . . . .	11,224	-	-	-	11,224
Transportation . . . . .	-	-	-	733,974	733,974
Community environment . . . . .	15,632	-	-	208,366	223,998
Leisure time activity . . . . .	176,905	-	-	78,986	255,891
Capital outlay . . . . .	-	1,257,443	1,199	389,595	1,648,237
Debt service:					
Principal retirement . . . . .	-	-	-	92,510	92,510
Interest and fiscal charges . . . . .	-	-	-	54,516	54,516
Total expenditures . . . . .	<u>3,024,570</u>	<u>1,257,443</u>	<u>1,199</u>	<u>1,853,577</u>	<u>6,136,789</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>2,358,308</u>	<u>206,358</u>	<u>(1,199)</u>	<u>(785,615)</u>	<u>1,777,852</u>
<b>Other financing sources (uses):</b>					
Sale of bonds . . . . .	-	-	-	134,000	134,000
Transfers in . . . . .	-	-	273,860	1,137,159	1,411,019
Transfers out . . . . .	<u>(2,148,266)</u>	<u>-</u>	<u>-</u>	<u>(176,125)</u>	<u>(2,324,391)</u>
Total other financing sources (uses) . . . . .	<u>(2,148,266)</u>	<u>-</u>	<u>273,860</u>	<u>1,095,034</u>	<u>(779,372)</u>
Net change in fund balances . . . . .	210,042	206,358	272,661	309,419	998,480
<b>Fund balances at beginning of year . . . . .</b>	4,193,757	2,811,278	2,151,540	2,441,658	11,598,233
<b>Increase in reserve for inventory . . . . .</b>	675	-	-	2,165	2,840
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,404,474</u>	<u>\$ 3,017,636</u>	<u>\$ 2,424,201</u>	<u>\$ 2,753,242</u>	<u>\$ 12,599,553</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	998,480
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,129,643) exceeded depreciation expense (\$1,009,216) in the current period. Both amounts are exclusive of internal service funds activity.		120,427
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(12,911)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		2,840
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		78,261
The issuance of bonds are reported as an other financing source in the governmental funds, but they increase long-term liabilities on the statement of net assets.		(134,000)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		92,510
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		10,077
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(32,602)
The internal service funds used by management to charge the costs of employee insurance and the maintenance garage to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balance activity of \$91,224, is allocated among the governmental activities.		(72,968)
<b>Change in net assets of governmental activities.</b>	<b>\$</b>	<b><u>1,050,114</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 3,800,000	\$ 4,200,000	\$ 4,183,532	\$ (16,468)
Real and other taxes . . . . .	568,779	568,779	321,491	(247,288)
Charges for services . . . . .	152,350	152,350	301,399	149,049
Licenses, permits and fees . . . . .	48,200	48,200	84,850	36,650
Fines and forfeitures . . . . .	12,000	12,000	18,027	6,027
Intergovernmental . . . . .	392,500	392,500	567,576	175,076
Investment income . . . . .	85,000	85,000	324,831	239,831
Rental income . . . . .	-	-	16,917	16,917
Other . . . . .	3,575	3,575	17,066	13,491
<b>Total revenues . . . . .</b>	<b>5,062,404</b>	<b>5,462,404</b>	<b>5,835,689</b>	<b>373,285</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government . . . . .	746,967	800,555	778,295	22,260
Security of persons and property . . . . .	2,446,621	2,492,166	1,836,721	655,445
Public health and welfare . . . . .	26,741	26,741	11,224	15,517
Community environment . . . . .	31,000	31,000	15,632	15,368
Leisure time activities . . . . .	253,529	253,529	173,226	80,303
<b>Debt service:</b>				
Principal retirement . . . . .	250,000	250,000	250,000	-
Interest and fiscal charges . . . . .	24,000	24,000	14,584	9,416
<b>Total expenditures . . . . .</b>	<b>3,778,858</b>	<b>3,877,991</b>	<b>3,079,682</b>	<b>798,309</b>
<b>Excess of revenues over expenditures . . . . .</b>	<b>1,283,546</b>	<b>1,584,413</b>	<b>2,756,007</b>	<b>1,171,594</b>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	2,275,000	2,275,000	2,789,638	514,638
Transfers out . . . . .	(5,215,000)	(5,678,372)	(5,496,746)	181,626
Sale of capital assets . . . . .	-	-	4,454	4,454
Other financing sources . . . . .	3,050	3,050	37,781	34,731
<b>Total other financing sources (uses) . . . . .</b>	<b>(2,936,950)</b>	<b>(3,400,322)</b>	<b>(2,664,873)</b>	<b>735,449</b>
<b>Net change in fund balance . . . . .</b>	<b>(1,653,404)</b>	<b>(1,815,909)</b>	<b>91,134</b>	<b>1,907,043</b>
<b>Fund balance at beginning of year . . . . .</b>	<b>3,745,039</b>	<b>3,745,039</b>	<b>3,745,039</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>103,844</b>	<b>103,844</b>	<b>103,844</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 2,195,479</b>	<b>\$ 2,032,974</b>	<b>\$ 3,940,017</b>	<b>\$ 1,907,043</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF ST. MARYS, OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

	<b>Business-type Activities -</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,361,112	\$ 1,407,593	\$ 4,923,849
Investments . . . . .	-	-	323,490
Cash in segregated accounts. . . . .	-	-	-
Receivables (net of allowance for uncollectibles):			
Real and other taxes. . . . .	-	-	61,273
Accounts . . . . .	104,826	117,157	984,109
Special assessments. . . . .	152	363	-
Accrued interest. . . . .	520	456	1,422
Due from other governments . . . . .	-	-	-
Prepayments. . . . .	18,610	19,245	133,813
Materials and supplies inventory . . . . .	166,425	23,350	230,053
Unamortized bond issuance costs . . . . .	-	35,180	-
Noncurrent assets:			
Cash and cash equivalents. . . . .	-	389,008	-
Deposits in segregated accounts. . . . .	-	332,786	-
Investment in joint venture . . . . .	-	-	1,322,514
Refundable deposits. . . . .	-	-	211,020
Capital assets:			
Land . . . . .	232,462	144,500	513,813
Depreciable capital assets, net . . . . .	4,502,169	4,001,948	7,421,114
Total capital assets . . . . .	<u>4,734,631</u>	<u>4,146,448</u>	<u>7,934,927</u>
Total assets. . . . .	<u>6,386,276</u>	<u>6,471,586</u>	<u>16,126,470</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	10,156	74,456	431,582
Contracts payable . . . . .	1,375	33,011	6,669
Retainage payable . . . . .	-	2,394	-
Accrued wages and benefits. . . . .	7,200	11,077	25,357
Compensated absences payable. . . . .	33,065	16,346	50,668
Due to other funds . . . . .	3,444	4,072	59,232
Due to other governments . . . . .	6,548	6,979	22,577
Accrued interest payable . . . . .	-	-	23,162
Payable from restricted assets:			
Current portion of revenue bonds . . . . .	-	245,000	-
Accrued interest payable. . . . .	-	722	-
Refundable deposits . . . . .	-	-	211,020
Notes payable. . . . .	-	-	2,200,000
Claims payable . . . . .	-	-	-
Long-term liabilities:			
Compensated absences . . . . .	79,648	52,617	150,865
Revenue bonds payable. . . . .	-	669,975	-
General obligation bonds payable . . . . .	-	-	1,589,175
Landfill closure/post closure liability. . . . .	-	-	-
Total liabilities . . . . .	<u>141,436</u>	<u>1,116,649</u>	<u>4,770,307</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt. . . . .	4,734,631	3,231,473	4,145,752
Restricted for operations . . . . .	-	369,082	-
Restricted for improvements and replacements. . . . .	-	427,814	-
Unrestricted (deficit) . . . . .	1,510,209	1,326,568	7,210,411
Total net assets (deficit) . . . . .	<u>\$ 6,244,840</u>	<u>\$ 5,354,937</u>	<u>\$ 11,356,163</u>

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

Net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>	
<b>Refuse</b>	<b>Total</b>		
\$ 534,653	\$ 8,227,207	\$ 58,459	
-	323,490	-	
-	-	19,843	
-	61,273	-	
69,582	1,275,674	92,846	
-	515	-	
-	2,398	86	
6,179	6,179	-	
7,980	179,648	-	
3,832	423,660	30,286	
-	35,180	-	
-	389,008	-	
-	332,786	-	
-	1,322,514	-	
-	211,020	-	
303,695	1,194,470	-	
1,698,840	17,624,071	49,500	
2,002,535	18,818,541	49,500	
2,624,761	31,609,093	251,020	
24,481	540,675	504	
-	41,055	-	
-	2,394	-	
6,171	49,805	1,132	
10,071	110,150	1,867	
-	66,748	-	
3,984	40,088	756	
17,103	40,265	-	
-	245,000	-	
-	722	-	
-	211,020	-	
937,000	3,137,000	-	
-	-	77,338	
29,844	312,974	6,274	
-	669,975	-	
-	1,589,175	-	
3,513,450	3,513,450	-	
4,542,104	10,570,496	87,871	
1,065,535	13,177,391	49,500	
-	369,082	-	
-	427,814	-	
(2,982,878)	7,064,310	113,649	
\$ (1,917,343)	21,038,597	\$ 163,149	
	8,127		
	\$ 21,046,724		

**CITY OF ST. MARYS, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS/(DEFICIT)  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Business-type Activities -</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 1,161,170	\$ 1,262,996	\$ 12,089,647
Tap-in fees . . . . .	5,273	32,714	-
Rental income . . . . .	1,108	1,846	14,057
Other . . . . .	37,663	11,212	235,000
<b>Total operating revenues . . . . .</b>	<b>1,205,214</b>	<b>1,308,768</b>	<b>12,338,704</b>
<b>Operating expenses:</b>			
Personal services . . . . .	651,943	598,822	1,759,711
Contractual services . . . . .	162,923	266,995	809,674
Materials and supplies . . . . .	122,081	115,256	9,024,058
Claims expense . . . . .	-	-	-
Depreciation . . . . .	234,537	193,245	563,041
Other . . . . .	428	303	39,851
<b>Total operating expenses . . . . .</b>	<b>1,171,912</b>	<b>1,174,621</b>	<b>12,196,335</b>
<b>Operating income (loss) . . . . .</b>	<b>33,302</b>	<b>134,147</b>	<b>142,369</b>
<b>Nonoperating revenues (expenses):</b>			
Interest and fiscal charges . . . . .	(65,669)	(113,730)	(56,929)
Interest revenue . . . . .	30,515	59,993	125,460
Decrease in investment in joint venture . . . . .	-	-	(74,697)
Other local tax revenue . . . . .	-	-	11,787
Excise tax expense . . . . .	-	-	(11,787)
<b>Total nonoperating revenues (expenses) . . . . .</b>	<b>(35,154)</b>	<b>(53,737)</b>	<b>(6,166)</b>
<b>Net income (loss) before transfers and capital contributions . . . . .</b>	<b>(1,852)</b>	<b>80,410</b>	<b>136,203</b>
Capital contributions . . . . .	164,391	106,268	-
Transfers in . . . . .	-	-	813,372
<b>Changes in net assets . . . . .</b>	<b>162,539</b>	<b>186,678</b>	<b>949,575</b>
<b>Net assets (deficit) at beginning of year . . . . .</b>	<b>6,082,301</b>	<b>5,168,259</b>	<b>10,406,588</b>
<b>Net assets (deficit) at end of year . . . . .</b>	<b>\$ 6,244,840</b>	<b>\$ 5,354,937</b>	<b>\$ 11,356,163</b>

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

Changes in net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>	
<b>Refuse</b>	<b>Total</b>		
\$ 603,198	\$ 15,117,011	\$ 1,006,848	
-	37,987	-	
244,733	261,744	-	
17,503	301,378	270,943	
<u>865,434</u>	<u>15,718,120</u>	<u>1,277,791</u>	
356,663	3,367,139	69,160	
614,286	1,853,878	1,013	
22,909	9,284,304	282,307	
-	-	907,937	
110,080	1,100,903	3,000	
71	40,653	-	
<u>1,104,009</u>	<u>15,646,877</u>	<u>1,263,417</u>	
<u>(238,575)</u>	<u>71,243</u>	<u>14,374</u>	
(25,940)	(262,268)	-	
17,667	233,635	3,882	
-	(74,697)	-	
-	11,787	-	
-	(11,787)	-	
<u>(8,273)</u>	<u>(103,330)</u>	<u>3,882</u>	
(246,848)	(32,087)	18,256	
-	270,659	-	
100,000	913,372	-	
(146,848)	1,151,944	18,256	
<u>(1,770,495)</u>		<u>144,893</u>	
<u>\$ (1,917,343)</u>		<u>\$ 163,149</u>	
	<u>91,224</u>		
	<u>\$ 1,243,168</u>		

**CITY OF ST. MARYS, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Business-type Activities -</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services . . . . .	\$ 1,167,419	\$ 1,274,368	\$ 12,138,530
Cash received from tap-in fees. . . . .	5,273	32,714	-
Cash received from rental charges . . . . .	2,164	-	14,057
Cash received from other operations. . . . .	34,365	8,000	237,077
Cash payments for personal services . . . . .	(636,251)	(587,581)	(1,736,266)
Cash payments for contract services. . . . .	(154,546)	(252,151)	(795,903)
Cash payments for materials and supplies . . . . .	(126,657)	(15,355)	(9,116,270)
Cash payments for claims expense. . . . .	-	-	-
Cash payments for other operations . . . . .	(428)	(303)	(41,269)
Net cash provided by (used in) operating activities. . . . .	<u>291,339</u>	<u>459,692</u>	<u>699,956</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from transfers in. . . . .	-	-	813,372
Cash received from other local taxes. . . . .	-	-	11,787
Cash payments for excise tax expense . . . . .	-	-	(11,787)
Net cash provided by noncapital financing activities. . . . .	<u>-</u>	<u>-</u>	<u>813,372</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash payments for the acquisition of capital assets . . . . .	(401,359)	(404,931)	(127,485)
Cash received from capital contributions . . . . .	164,391	106,268	-
Cash received from notes issued. . . . .	-	-	2,200,000
Cash payments for principal retirement . . . . .	(770,000)	(230,000)	(2,570,799)
Cash payments for interest and fiscal charges. . . . .	(54,685)	(85,770)	(126,134)
Net cash used in capital and related financing activities . . . . .	<u>(1,061,653)</u>	<u>(614,433)</u>	<u>(624,418)</u>
<b>Cash flows from investing activities:</b>			
Cash received from interest earned . . . . .	30,278	59,785	124,812
Cash received from maturities of investments . . . . .	-	-	134,000
Cash payments for purchase of investments . . . . .	-	-	(134,000)
Net cash provided by investing activities. . . . .	<u>30,278</u>	<u>59,785</u>	<u>124,812</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(740,036)	(94,956)	1,013,722
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>2,101,148</u>	<u>2,224,343</u>	<u>4,444,637</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 1,361,112</u>	<u>\$ 2,129,387</u>	<u>\$ 5,458,359</u>

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>	
<b>Refuse</b>	<b>Total</b>		
\$ 602,335	\$ 15,182,652	\$ 1,006,848	
-	37,987	-	
241,718	257,939	-	
10,847	290,289	178,635	
(351,271)	(3,311,369)	(67,789)	
(620,344)	(1,822,944)	(1,013)	
(23,978)	(9,282,260)	(307,962)	
-	-	(947,675)	
(71)	(42,071)	-	
<u>(140,764)</u>	<u>1,310,223</u>	<u>(138,956)</u>	
100,000	913,372	-	
-	11,787	-	
-	(11,787)	-	
<u>100,000</u>	<u>913,372</u>	<u>-</u>	
-	(933,775)	-	
-	270,659	-	
937,000	3,137,000	-	
(1,017,000)	(4,587,799)	-	
(20,035)	(286,624)	-	
<u>(100,035)</u>	<u>(2,400,539)</u>	<u>-</u>	
17,667	232,542	3,843	
-	134,000	-	
-	(134,000)	-	
<u>17,667</u>	<u>232,542</u>	<u>3,843</u>	
(123,132)	55,598	(135,113)	
657,785	9,427,913	213,415	
<u>\$ 534,653</u>	<u>\$ 9,483,511</u>	<u>\$ 78,302</u>	

-continued

**CITY OF ST. MARYS, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Business-type Activities -</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss) . . . . .	\$ 33,302	\$ 134,147	\$ 142,369
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation . . . . .	234,537	193,245	563,041
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivable . . . . .	4,011	6,177	29,290
(Increase)/decrease in special assessments receivable . . . . .	(4)	137	-
Increase in due from other governments . . . . .	-	-	-
(Increase) decrease in materials and supplies inventory.	6,998	(1,618)	94,662
Increase/(decrease) in prepayments . . . . .	7,491	7,649	(4,459)
Increase (decrease) in accounts payable . . . . .	(11,950)	73,210	(173,935)
Increase in contracts payable . . . . .	1,375	33,011	6,669
Increase in retainage payable . . . . .	-	2,394	-
Increase in accrued wages and benefits . . . . .	(282)	2,174	1,319
Increase in compensated absences payable. . . . .	14,531	7,735	18,782
Increase (decrease) in due to other governments . . . . .	1,443	1,332	8,276
Increase (decrease) in due to other funds . . . . .	(113)	99	(5,694)
Increase in refundable deposits liability. . . . .	-	-	19,636
Decrease in landfill closure/post closure liability . . . . .	-	-	-
Decrease in claims payable. . . . .	-	-	-
Net cash provided by (used in) operating activities . . . . .	<u>\$ 291,339</u>	<u>\$ 459,692</u>	<u>\$ 699,956</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Enterprise Funds</u>		<u>Governmental Activities - Internal Service Funds</u>
<u>Refuse</u>	<u>Total</u>	
\$ (238,575)	\$ 71,243	\$ 14,374
110,080	1,100,903	3,000
(4,355)	35,123	(92,308)
-	133	-
(6,179)	(6,179)	-
(1,069)	98,973	(14,474)
552	11,233	-
10,707	(101,968)	(11,181)
-	41,055	-
-	2,394	-
223	3,434	347
4,434	45,482	786
(13,162)	(2,111)	238
-	(5,708)	-
-	19,636	-
(3,420)	(3,420)	-
-	-	(39,738)
<u>\$ (140,764)</u>	<u>\$ 1,310,223</u>	<u>\$ (138,956)</u>

**CITY OF ST. MARYS, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2005**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 59,772
Receivables:	
Income taxes . . . . .	<u>1,500,000</u>
Total assets . . . . .	<u>\$ 1,559,772</u>
<b>Liabilities:</b>	
Due to other governments. . . . .	\$ 1,509,323
Payroll withholdings . . . . .	1,787
Undistributed assets. . . . .	<u>48,662</u>
Total liabilities . . . . .	<u>\$ 1,559,772</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## CITY OF ST. MARYS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB procurements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 to its governmental and business-type activities and to its proprietary funds. The most significant of the City's accounting policies are described below.

##### A. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City in 2005. The following organizations are described due to their relationship to the City:

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

***JOINT VENTURE WITH EQUITY INTEREST***

Ohio Municipal Electric Generation Agency Joint Venture

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

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

Pursuant to the OMEGA JV2 Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the OMEGA JV2 Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 the City of St. Marys has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2005 was \$1,356,988 (including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$1,322,514 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2005 are:

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

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ 73,844	\$ 78,520	\$ 152,364
2007	76,889	75,567	152,456
2008	80,696	71,722	152,418
2009	84,693	67,687	152,380
2010	88,880	63,453	152,333
2011-2015	519,766	242,126	761,892
2016-2020	664,407	97,538	761,945
Total Gross Liability	1,589,175	\$ 696,613	\$ 2,285,788
Less: Amounts Held in Reserve	(232,187)		
Net Obligation	<u>1,356,988</u>		

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

***INSURANCE PURCHASING POOL***

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

**B. Basis of Presentation - Fund Accounting**

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

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

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

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

**C. Fund Accounting**

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

*General Fund* - The general fund accounts for all financial resources except those required to be accounted for in another fund.

*Voted Income Tax Fund* - This capital projects fund accounts for the collection of the 0.5% income tax levy which is to be spent on capital improvements.

*Capital Improvements Fund* - This capital projects fund accounts for capital outlay expenditures for capital improvements, including the acquisition, construction and improvement of facilities and other capital assets.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

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

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

**D. Measurement Focus and Basis of Accounting**

*Government-Wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

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

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

**E. Basis of Accounting**

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

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**F. Budgetary Process**

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

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

***Tax Budget*** - A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County auditor waived this requirement for 2005.

***Estimated Resources*** - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission find the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended official certificate of estimated resources issued during 2005. The Auglaize County auditor waived this requirement for 2005.

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

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

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

**G. Cash and Investments**

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

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Cash and cash equivalents that are held separately for the City by fiscal agents and not held with the City Treasurer are recorded on the basic financial statements as “Cash with Fiscal Agents” and “Cash in Segregated Accounts”.

The City’s Self-Insurance Fund has its own checking account for the collection of premiums and the disbursement of claims and is presented on the balance sheet as “Cash and Cash Equivalents In Segregated Accounts.”

Investments are reported at fair value, except for repurchase agreements and non-negotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. The State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to City funds according to state statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2005 was \$324,831, which includes \$182,523 assigned from other City funds.

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

**H. Loans Receivable**

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

**I. Inventories of Materials and Supplies**

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

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

**J. Capital Assets**

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	50 years	50 years
Buildings	50 years	50 years
Building improvements	20 years	20 years
Machinery and equipment	10 years	10 years
Vehicles	5 - 10 years	5 - 10 years
Infrastructure	30 years	65 years

**K. Compensated Absences**

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

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

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

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

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

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

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

**M. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**N. Interfund Balances**

On fund financial statements, amounts due to other funds resulting from time lag between payment dates are classified as "due to/from other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**O. Interfund Activity**

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

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

**P. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds. Proprietary net assets are restricted for resources necessary to comply with bond financing agreements.

The City reports amounts representing encumbrances, materials and supplies inventory, prepayments, loans, debt service, and restricted assets in the governmental fund financial statements.

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Q. Restricted Assets**

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

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

**R. Unamortized Bond Issuance Costs**

Bond issuance costs for governmental and business-type activities are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond issuance costs are recorded as deferred charges, which is included in other assets on the statement of net assets.

**S. Unamortized Deferred Charges on Advance Refunding**

For advance refundings resulting in the defeasance of debt reported in the enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. These deferred charges are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction to the reported amount of the new debt.

**T. Estimates**

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

**U. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as nonoperating revenue in the proprietary fund financial statements.

**V. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

**W. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services, tap-in fees and rental income for the water, sewer, electric and refuse programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**X. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the City has implemented GASB Statement No. 40, "Deposit And Investment Risk Disclosures" and GASB Statement No. 42, "Accounting And Financial Reporting For Impairment Of Capital Assets And For Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements for custodial credit risk on deposits, and it establishes and modifies disclosure requirements related to investment risks; credit risk (including custodial credit risk and concentration of credit risk) and interest rate risk.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the basic financial statements of the City, however additional disclosure can be found in Note 4.

**B. Deficit Fund Balances and Proprietary Fund Net Assets**

Fund balances and proprietary fund net assets include the following fund deficits as of December 31, 2005:

<u>Nonmajor Governmental Funds</u>	
Police Pension	\$ 33,497
Fire Pension	35,267
Special Assessment Improvement	122,397
Recreational Facility Construction	480,600
<u>Major Enterprise Fund</u>	
Refuse	1,917,343

## CITY OF ST. MARYS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### **NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, but not when deficits are caused by accruals. These deficit fund balances are the result of adjustments for accrued liabilities, notes payable reported as fund liabilities, and the landfill closure/post closure liability.

#### **NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool.
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

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

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

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

*Cash in Segregated Accounts:* At year-end, the City had \$19,843 deposited with a financial institution for monies related to the Self-Insurance internal service fund. This amount is included in the "Deposits with Financial Institutions" below.

*Restricted Cash with Fiscal Agent:* At year-end, the City had \$17,204 on deposit with a financial institution for permissive tax monies held by Auglaize County. This amount is not included in "Deposits with Financial Institutions" below.

*Restricted Assets:* At year-end, the City had various deposits which were restricted. See Note 18.

**A. Deposits with Financial Institutions**

At December 31, 2005, the carrying amount of all City deposits was \$13,215,722. As of December 31, 2005, \$300,000 of the City's bank balance of \$14,070,586 was covered by the Federal Deposit Insurance Corporation, and \$13,770,586 was exposed to custodial risk as discussed below.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**B. Investments**

As of December 31, 2005, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 Months
FNMA	\$ 2,927,190	\$ -	\$ -	\$ 1,953,750	\$ 973,440	\$ -
US Treasury Money Market	834,288	834,288	-	-	-	-
STAR Ohio	4,013,685	4,013,685	-	-	-	-
Special Assessment Bonds	<u>323,490</u>	-	<u>98,320</u>	-	<u>77,720</u>	<u>147,450</u>
	<u>\$ 8,098,653</u>	<u>\$ 4,847,973</u>	<u>\$ 98,320</u>	<u>\$ 1,953,750</u>	<u>\$ 1,051,160</u>	<u>\$ 147,450</u>

The weighted average maturity of investments is 0.48 years.

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

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's other investments except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's.

*Concentration of Credit Risk:* The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2005:

Investment type	Fair Value	% of Total
FNMA	\$ 2,927,190	36.14%
US Treasury Money Market	834,288	10.30%
STAR Ohio	4,013,685	49.56%
Special Assessment Bonds	<u>323,490</u>	<u>3.99%</u>
Total	<u>\$ 8,098,653</u>	<u>100.00%</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

Cash and Investments per footnote

Carrying amount of deposits	\$ 13,215,722
Investments	8,098,653
Cash with fiscal agent	<u>17,204</u>
Total	<u>\$ 21,331,579</u>

Cash and investments per Statement of Net Assets

Governmental activities	\$ 11,788,296
Business type activities	9,483,511
Agency funds	<u>59,772</u>
Total	<u>\$ 21,331,579</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Transfers in and out consisted of the following, as reported in the fund financial statements for the year ended December 31, 2005:

Transfers out of General fund and in to:

Nonmajor Governmental funds	\$ 1,234,894
Electric fund	813,372
Refuse fund	100,000

Transfers out of Nonmajor Governmental funds and in to:

Nonmajor Governmental funds	<u>176,125</u>
Total	<u>\$ 2,324,391</u>

All transfers were legal and in compliance with Ohio Revised Code. The most significant transfer that occurred during the year was an \$813,372 transfer from the General fund to the Electric fund. This transfer was related to the kilowatt hour tax that is collected in the general fund and pertains to electric operations. The transfer from the nonmajor governmental fund to nonmajor governmental fund was from the debt service fund to the street, maintenance and repair fund for principal and interest payments.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 5 - INTERFUND TRANSACTIONS (Continue)**

- B.** Due to and from other funds consisted of the following, as reported on the fund financial statements at December 31, 2005:

Due to General fund from:

Water fund	\$ 3,444
Sewer fund	4,072
Electric fund	<u>59,232</u>
Total	<u>\$ 66,748</u>

These balances resulted from the time lag between the dates in which payments between the funds are made.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2005 represent the collection of 2004 taxes. For 2005, real property taxes were levied after October 1, 2004 on the assessed values as of January 1, 2005, the lien date. These taxes will be collected in and are intended to finance 2006 operations. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes were levied after October 1, 2004 on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value. Public utility tangible personal property currently is assessed at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2005 (other than public utility property) represent the collection of 2004 taxes. For 2005, tangible personal property taxes were levied after October 1, 2004 on the true value as of December 31, 2004. These taxes will be collected in and are intended to finance 2006 operations. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2005. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2005 operations.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 6 - PROPERTY TAXES (Continue)**

The full tax rate for all City operations for the year ended December 31, 2005 was \$5.32 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Assessed Values</u>	<u>Amount</u>
Real Property:	
Agricultural/Residential	\$ 79,696,150
Commercial/Industrial	21,684,940
Public Utility Property:	
Real property	6,640
Personal property	1,172,690
Tangible Personal Property:	<u>19,944,773</u>
Total Assessed Value	<u>\$ 122,505,193</u>

**NOTE 7 - LOCAL INCOME TAX**

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

The City, by ordinance, allocates 1 percent of the income tax revenues to the General fund (0.72%), the Street Construction and Maintenance special revenue fund (0.18%), and the Capital Improvements capital projects fund (0.10%). The other 0.5 percent is allocated to the Voted Income Tax capital projects fund. For fiscal year 2005, in the fund financial statements, income tax revenue credited to the General fund and Voted Income Tax fund totaled \$2,839,120 and \$1,342,021, respectively.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2005 consisted of taxes, accounts (billings for user charged services), special assessments, loans, accrued interest and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as "Due From Other Governments" on the basic financial statements. Receivables have been recorded to the extent that they are both measurable and available at December 31, 2005 and intended to finance fiscal 2005 operations.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 8 – RECEIVABLES (Continue)**

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Income taxes	\$ 779,567
Real and other taxes	522,080
Accounts	124,346
Special assessments	334,525
Loans	1,135,838
Accrued interest	4,714
Due from other governments	448,793

**Business-Type Activities:**

Real and other taxes	61,273
Accounts	1,275,674
Special assessments	515
Accrued interest	2,398

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are special assessments and loans.

**NOTE 9 - LOANS RECEIVABLE**

Loans receivable represent low interest loans for development projects and home improvements granted to eligible City businesses and residents under the Community Development Block Grant (CDBG) program, a federal grant program which is accounted for in the CDBG special revenue fund. The loans have an annual interest rate of 3.00% - 7.00% and are repaid over periods ranging from five to thirty years. A summary of loans receivable activity during 2005 follows:

	<u>Balance</u>	<u>FY2005</u>	<u>FY2005</u>	<u>Balance</u>
<u>Loans receivable:</u>	<u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/05</u>
Business loans	\$ 1,225,756	\$ 7,751	\$ (113,566)	\$ 1,119,941
Individual home loans	18,703	-	(2,806)	15,897
<b>Total</b>	<b>\$ 1,244,459</b>	<b>\$ 7,751</b>	<b>\$ (116,372)</b>	<b>\$ 1,135,838</b>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows.

	Balance	FY2005	FY2005	Balance
	<u>12/31/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/05</u>
<b><u>Governmental Activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,881,561	\$ -	\$ -	\$ 1,881,561
Construction in progress	<u>743,065</u>	<u>-</u>	<u>(743,065)</u>	<u>-</u>
Capital assets, not being depreciated	<u>2,624,626</u>	<u>-</u>	<u>(743,065)</u>	<u>1,881,561</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,229,479	107,578	-	2,337,057
Buildings and improvements	1,306,232	14,200	-	1,320,432
Machinery and equipment	607,822	36,002	-	643,824
Vehicles	2,421,526	82,135	(91,055)	2,412,606
Infrastructure	<u>14,466,324</u>	<u>1,632,793</u>	<u>-</u>	<u>16,099,117</u>
Capital assets, being depreciated	<u>21,031,383</u>	<u>1,872,708</u>	<u>(91,055)</u>	<u>22,813,036</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(497,222)	(81,097)	-	(578,319)
Buildings and improvements	(725,863)	(33,039)	-	(758,902)
Machinery and equipment	(361,180)	(49,524)	-	(410,704)
Vehicles	(1,633,578)	(128,530)	78,144	(1,683,964)
Infrastructure	<u>(4,754,458)</u>	<u>(720,026)</u>	<u>-</u>	<u>(5,474,484)</u>
Accumulated depreciation	<u>(7,972,301)</u>	<u>(1,012,216)</u>	<u>78,144</u>	<u>(8,906,373)</u>
Capital assets, being depreciated, net	<u>13,059,082</u>	<u>860,492</u>	<u>(12,911)</u>	<u>13,906,663</u>
Total capital assets, net	<u>\$ 15,683,708</u>	<u>\$ 860,492</u>	<u>\$ (755,976)</u>	<u>\$ 15,788,224</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS - (Continued)**

	Balance	FY2005	FY2005	Balance
	<u>12/31/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/05</u>
<b><u>Business-Type Activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,194,470	\$ -	\$ -	\$ 1,194,470
Capital assets, not being depreciated	<u>1,194,470</u>	<u>-</u>	<u>-</u>	<u>1,194,470</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,969,251	-	-	4,969,251
Buildings and improvements	5,117,459	24,500	-	5,141,959
Machinery and equipment	10,032,352	14,400	-	10,046,752
Vehicles	2,115,419	156,632	(14,953)	2,257,098
Infrastructure	<u>15,930,323</u>	<u>738,243</u>	<u>-</u>	<u>16,668,566</u>
Capital assets, being depreciated	<u>38,164,804</u>	<u>933,775</u>	<u>(14,953)</u>	<u>39,083,626</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,917,233)	(177,338)	-	(2,094,571)
Buildings and improvements	(3,358,379)	(127,462)	-	(3,485,841)
Machinery and equipment	(7,521,589)	(242,078)	-	(7,763,667)
Vehicles	(1,631,192)	(149,843)	14,953	(1,766,082)
Infrastructure	<u>(5,945,212)</u>	<u>(404,182)</u>	<u>-</u>	<u>(6,349,394)</u>
Accumulated depreciation	<u>(20,373,605)</u>	<u>(1,100,903)</u>	<u>14,953</u>	<u>(21,459,555)</u>
Capital assets, being depreciated, net	<u>17,791,199</u>	<u>(167,128)</u>	<u>-</u>	<u>17,624,071</u>
Total capital assets, net	<u>\$ 18,985,669</u>	<u>\$ (167,128)</u>	<u>\$ -</u>	<u>\$ 18,818,541</u>

Depreciation expense was charged to the functions/programs of the primary government as follows:

**Governmental Activities:**

General government	\$ 107,082
Security of persons and property	95,712
Public health and welfare	473
Transportation	720,026
Community environment	215
Leisure time activities	85,708
Capital assets held by the internal service funds are charged to the various functions based upon their usage of the capital assets	<u>3,000</u>
Total depreciation expense	<u>\$ 1,012,216</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 11 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components is derived from negotiated agreements and state laws.

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

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

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

**NOTE 12 - LONG-TERM OBLIGATIONS**

Governmental activities changes in long-term obligations for the year ended December 31, 2005 were as follows. Compensated absences will be paid out of the fund from which the employee's salary is paid.

		Interest	Balance	FY2005	FY2005	Balance	Amounts
<u>Governmental Activities:</u>	<u>Series</u>	<u>Rate</u>	<u>12/31/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2005</u>	<u>Due Within</u>
							<u>One Year</u>
<u>Special Assessment Bonds</u>							
Street Improvement	2000	5.00%	\$ 21,000	\$ -	\$ (21,000)	\$ -	\$ -
Street Improvement	2001	4.50%	41,200	-	(20,600)	20,600	20,600
Street Improvement	2002	4.50%	58,200	-	(19,400)	38,800	19,400
Street Improvement	2003A	4.50%	38,790	-	(9,690)	29,100	9,700
Street Improvement	2003B	4.50%	30,810	-	(3,420)	27,390	3,420
Street Improvement	2004-1	4.50%	65,000	-	(13,000)	52,000	13,000
Street Improvement	2004-2	4.50%	27,000	-	(5,400)	21,600	5,400
Street Improvement	2005	4.50%	-	134,000	-	134,000	26,800
Total Special Assessment Bonds			<u>282,000</u>	<u>134,000</u>	<u>(92,510)</u>	<u>323,490</u>	<u>98,320</u>
<u>Other Long-Term Obligations</u>							
Compensated Absences Payable			<u>261,677</u>	<u>96,296</u>	<u>(57,851)</u>	<u>300,122</u>	<u>76,866</u>
Total Long-Term Obligations			<u>\$ 543,677</u>	<u>\$ 230,296</u>	<u>\$(150,361)</u>	<u>\$ 623,612</u>	<u>\$ 175,186</u>

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

At December 31, 2005, principal and interest requirements to retire the governmental activities long-term obligations are as follows:

Year	Special Assessment Bonds		
	Principal	Interest	Total
2006	\$ 98,320	\$ 14,559	\$ 112,879
2007	77,720	10,134	87,854
2008	58,320	6,636	64,956
2009	48,620	4,011	52,631
2010	30,220	1,823	32,043
2011 - 2013	10,290	926	11,216
Total	<u>\$ 323,490</u>	<u>\$ 38,089</u>	<u>\$ 361,579</u>

Business-type activities changes in long-term obligations for the year ended December 31, 2005 were as follows. Compensated absences will be paid out of the fund from which the employee's salary is paid.

	Interest	Balance	FY2005	FY2005	Balance	Amounts
<u>Business-Type Activities:</u>	<u>Rate</u>	<u>12/31/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2005</u>	<u>Due Within</u>
						<u>One Year</u>
<u>Revenue Bonds</u>						
Waterworks	4.40-6.65%	\$ 770,000	\$ -	\$ (770,000)	\$ -	\$ -
Sanitary Sewer System Refundin	4.75-5.15%	1,250,000	-	(230,000)	1,020,000	245,000
Total Revenue Bonds		<u>2,020,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>1,020,000</u>	<u>245,000</u>
<u>General Obligation Bonds</u>						
OMEGA JV2 Electric Project	3.81%	1,659,974	-	(70,799)	1,589,175	73,844
<u>Other Long-Term Obligations</u>						
Compensated Absences Payable		377,642	126,857	(81,375)	423,124	110,150
Landfill Closure/Postclosure Liability		3,516,870	-	(3,420)	3,513,450	-
Total Other Long-Term Obligations		<u>3,894,512</u>	<u>126,857</u>	<u>(84,795)</u>	<u>3,936,574</u>	<u>110,150</u>
Total Long-Term Obligations		<u>\$ 7,574,486</u>	<u>\$ 126,857</u>	<u>\$ (1,155,594)</u>	6,545,749	<u>\$ 428,994</u>
Less: Unamortized deferred charges on advance refunding					(105,025)	
Total Long-Term Obligations reported on Statement of Net Assets					<u>\$ 6,440,724</u>	

Revenue Bonds - The revenue bonds are liabilities of the Water and Sewer enterprise funds and pledge their respective operating revenues for repayment. The bonds also pledge the full faith and credit and taxing authority of the City in the event the operating revenues are not sufficient to meet the principal and interest requirements. The Sanitary Sewer System Refunding Revenue Bonds, Series 1996 are reported on the statement of net assets net of the amortized loss on advance refunding of \$105,025.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

The Waterworks Revenue Bonds, Series 1991 include serial and term bonds. The term bonds maturing on December 1, 2011 are subject to mandatory redemption prior to maturity, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2005	\$ 85,000
2006	100,000
2007	105,000
2008	110,000
2009	115,000
2010	125,000
2011	130,000

The Waterworks Revenue Bonds, Series 1991 have optional redemption provisions which, at the sole option of the City, are callable either in whole or in part, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2003 and thereafter	100%

The Waterworks Revenue Bonds, Series 1991, which carried interest rates ranging from 4.40% to 6.65% and had a balance of \$770,000 as of December 31, 2004, were defeased during fiscal year 2005 and have been removed from the basic financial statements. The remainder of the amortized bond issuance costs, which had a balance of \$15,193 as of December 31, 2004, was also recognized during fiscal year 2005 and has also been removed from the basic financial statements.

At December 31, 2005, principal and interest requirements to retire the business-type activities long-term obligations are as follows:

<u>Year</u>	<u>Revenue Bonds</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 245,000	\$ 52,530	\$ 297,530	\$ 73,844	\$ 78,520	\$ 152,364
2007	260,000	39,913	299,913	76,889	75,567	152,456
2008	270,000	26,522	296,522	80,696	71,722	152,418
2009	245,000	12,618	257,618	84,693	67,687	152,380
2010	-	-	-	88,880	63,453	152,333
2011 - 2015	-	-	-	519,766	242,126	761,892
2011 - 2013	-	-	-	664,407	97,538	761,945
Total	<u>\$ 1,020,000</u>	<u>\$ 131,583</u>	<u>\$ 1,151,583</u>	<u>\$ 1,589,175</u>	<u>\$ 696,613</u>	<u>\$ 2,285,788</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Defeased Debt

In 1991, the City advance refunded revenue bonds and mortgage revenue bonds in the amounts of \$2,645,000 and \$3,540,000, respectively. The proceeds of these bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At December 31, 2005, revenue bonds and mortgage revenue bonds were outstanding in the amounts of \$793,500 and \$1,062,000, respectively.

In 2004, the City advance refunded mortgage revenue bonds in the amount of \$3,065,000. The proceeds of these bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At December 31, 2005, mortgage revenue bonds were outstanding in the amount of \$2,325,000.

Legal Debt Margins

At December 31, 2005, the City had a legal voted debt margin of \$12,570,031 and a legal unvoted debt margin of \$6,444,772.

**NOTE 13 - SHORT-TERM OBLIGATIONS**

Governmental activities changes in short-term obligations for the year ended December 31, 2005 were as follows:

		Interest	Balance	FY2005	FY2005	Balance	Amounts
<u>Governmental Activities:</u>	<u>Series</u>	<u>Rate</u>	<u>12/31/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2005</u>	<u>Due Within</u>
							<u>One Year</u>
<u>Bond Anticipation Notes</u>							
General Purpose	2004	1.95%	\$ 750,000	\$ -	\$(750,000)	\$ -	\$ -
General Purpose	2005	3.30%	-	500,000	-	500,000	500,000
Street Program	2004	2.45%	174,000	-	(174,000)	-	-
Street Program	2005	3.15%	-	<u>130,000</u>	<u>-</u>	<u>130,000</u>	<u>130,000</u>
Total Short-Term Obligations			<u>\$ 924,000</u>	<u>\$ 630,000</u>	<u>\$(924,000)</u>	<u>\$ 630,000</u>	<u>\$ 630,000</u>

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 13 - SHORT-TERM OBLIGATIONS - (Continued)**

Business-type activities changes in short-term obligations for the year ended December 31, 2005 were as follows:

<b><u>Business-Type Activities:</u></b>	<u>Series</u>	<u>Interest Rate</u>	<u>Balance 12/31/2004</u>	<u>FY2005 Increases</u>	<u>FY2005 Decreases</u>	<u>Balance 12/31/2005</u>	<u>Amounts Due Within</u>
							<u>One Year</u>
<b><u>Bond Anticipation Notes</u></b>							
Electric Improvements	2004	1.90%	\$ 2,500,000	\$ -	\$ (2,500,000)	\$ -	\$ -
Electric Improvements	2005	3.20%	-	2,200,000	-	2,200,000	2,200,000
Landfill Improvements	2004	1.97%	1,017,000	-	(1,017,000)	-	-
Landfill Improvements	2005	3.25%	-	937,000	-	937,000	937,000
Total Short-Term Obligations			<u>\$ 3,517,000</u>	<u>\$ 3,137,000</u>	<u>\$ (3,517,000)</u>	<u>\$ 3,137,000</u>	<u>\$ 3,137,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City's notes are bond anticipation notes and are supported by the full faith and credit of the City. The liability for all notes is presented in the fund which received the proceeds and have a maturity of one year.

**NOTE 14 - RISK MANAGEMENT**

**A. Property and Liability**

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

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 5,000,000	\$ 0
Police Professional Liability	5,000,000	5,000
Public Official Liability	5,000,000	5,000
Automobile Fleet Liability	5,000,000	1,000
Buildings and Contents	83,493,398	1,000
Boiler and Machinery	60,000,000	various
Inland Marine (EDP Floater)	172,275	100
Equipment	1,058,402	250

There have been no significant reductions in insurance coverage from 2004, and no insurance settlement has exceeded insurance coverage during the last three years.

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**B. Employee Medical Benefits**

The City has elected to provide employee health insurance benefits through a partially self-insured program. The City established a Self-Insurance internal service fund to account for and finance the cost of the program. Certain funds of the City participate in the self-insurance program and make payments to the Self-Insurance internal service fund based upon actuarial estimates of the amounts needed to pay prior-year and current-year claims. For 2005, the City utilized a third party administrator, MedBen, Inc., to process all claims. The monthly premiums are \$324.26 for single coverage and \$765.99 for family coverage; the employee's share is \$60.06 and \$166.31, respectively. All premiums are paid into the Self-Insurance internal service fund. The cost to the City for the third party administrator is \$24.85 per employee per month.

Under the City's self-insured program, the Self-Insurance internal service fund pays claims up to a maximum of \$35,000 per individual per year and claims in excess of \$1,000,000 per individual for their lifetime. The City purchases stop-loss coverage for claims in excess of coverage provided by the fund. Settled claims have not exceeded the stop-loss coverage for the last three years.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2005, is estimated by the third party administrator at \$77,338. The changes in the claims liability for 2005 and 2004 are as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Changes in Claims Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2005	\$ 117,076	\$ 907,937	\$ (947,675)	\$ 77,338
2004	49,046	883,487	(815,457)	117,076

**C. Workers' Compensation**

For 2005, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the state based on the rate for the Plan rather than its individual rate.

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

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's contributions to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$519,431, \$505,140, and \$488,269, respectively; 98.02% has been contributed for 2005 and 100% for 2004 and 2003. \$10,264 represents the unpaid contribution for 2005 and is recorded as a liability within the respective funds.

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

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OPFPF), a cost-sharing multiple employer defined benefit pension plan. The OPFPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OPFPF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 11.75% and 16.25% for police officers and firefighters, respectively. The City's contributions to OPFPF for the years ended December 31, 2005, 2004, and 2003 were \$294,106, \$277,066, and \$265,185, respectively; 75.41% has been contributed for 2005 and 100% for 2004 and 2003. \$72,309 represents the unpaid contributions for 2005 and is recorded as a liability within the respective funds.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll and 16.70% for public safety and law enforcement; 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25.00% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$153,338. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003 with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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

The Ohio Police and Fire Pension Fund (OPFPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OPFPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$57,196 for police and \$48,461 for firefighters. The OPFPF's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OPFPF participants eligible to receive health care benefits as of December 31, 2004 (the latest information available) was 13,812 for police and 10,528 for firefighters.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund.

**Net Change in Fund Balance**

	<u>General</u>
Budget basis	\$ 91,134
Net adjustment for revenue accruals	(452,811)
Net adjustment for expenditure accruals	(32,976)
Net adjustment for other financing sources and uses	516,607
Adjustment for encumbrances	<u>88,088</u>
GAAP basis	<u>\$ 210,042</u>

**NOTE 18 - RESTRICTED ASSETS AND NET ASSETS**

Fund assets, whose use is restricted under the bond indentures to current and future debt service requirements, refundable electric customer deposits, operations, and improvements and replacements are presented as restricted assets and restricted net assets on the proprietary fund statement of net assets. These assets are further segregated between those held by the City and those held by trustees. The City also has permissive tax monies on deposit with Auglaize County in the amount of \$17,204. At December 31, 2005, restricted assets and net assets relating to the bond indentures were as follows:

	<u>Restricted Assets and Net Assets</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Restricted assets (equity in pooled cash):				
Current debt service on bonds	\$ -	\$ 27,410	\$ -	\$ 27,410
Future debt service on bonds	-	305,376	-	305,376
Refundable deposits	-	-	211,020	211,020
Restricted net assets:				
Operations	-	369,082	-	369,082
Improvements and Replacements	-	427,814	-	427,814

**CITY OF ST. MARYS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 19 - LANDFILL CLOSURE/POSTCLOSURE COSTS**

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

The City is in the process of closing the landfill. The landfill closure and postclosure liability of \$3,513,450 at December 31, 2005 represents the cumulative amount for closure and postclosure care. The amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**NOTE 20 - CONTRACTUAL COMMITMENTS**

At December 31, 2005, the City had the following contractual commitments:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Contract Balance</u>
American Municipal Power-Ohio	\$ 7,580,000	\$ 7,215,122	\$ 364,878
Bebout & Houg Roofing & Siding	32,008	12,509	19,499
Breathing Air Systems	39,907	-	39,907
Celina Landfill	191,158	173,158	18,000
Central Ohio Contracting	28,900	9,690	19,210
Chester Willcox & Saxbe L.L.P.	16,000	4,996	11,004
Dilly Door Company	28,721	443	28,278
Hull & Associates, Inc.	104,500	74,792	29,708
MedBen Administrators	155,000	135,817	19,183
Northrod Grumman Mission	15,120	-	15,120
OMEGA Joint Venture 2	70,000	55,307	14,693
PAB Construction Co.	1,026,546	833,693	192,853
Penn Ohio Coal Co.	1,023,489	1,005,017	18,472
Reed City Power Line Supply	43,500	19,145	24,355
Solomon Corp.	17,450	-	17,450
Statewide Ford Lincoln Mercury	20,442	-	20,442
Tom's Construction	59,858	-	59,858
Virgil Behr	50,000	-	50,000
Vorys, Sater, and Seymour	100,000	84,804	15,196
Wesco Distribution	19,500	8,373	11,127
Total contractual commitments	<u>\$ 10,622,099</u>	<u>\$ 9,632,866</u>	<u>\$ 989,233</u>

**CITY OF ST. MARYS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2005.

**B. Litigation**

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



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Marys financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mayor and Members of Council  
City of St. Marys

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

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
June 23, 2006



**Auditor of State  
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**CITY OF ST. MARYS**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 24, 2006**