



Dave Yost • Auditor of State

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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MERCER COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

St. Henry Consolidated Local School District
Mercer County
391 E. Columbus Street
St. Henry, Ohio 45883

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, Ohio (the School District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

Management's Discussion & Analysis includes tables of net position, change in net position, governmental activities and long-term debt obligations. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 3, 2014

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**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

The discussion and analysis of the St. Henry Consolidated Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In 2014, general receipts accounted for \$9,144,298 or 89 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$1,164,201 or 11 percent of total receipts of \$10,308,499.
- Total program disbursements in 2014 were \$10,038,006.
- In 2014, net position decreased \$725,534.

Using this Annual Report

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

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole. Fund financial statements provide a greater level of detail. For governmental funds these statements present financial information by fund, presenting the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the St. Henry Consolidated Local School District, the General Fund, The Bond Retirement Fund and the OFCC Building Fund are by far the most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, debt service, and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page J. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement Fund and OFCC Building Project Fund.

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

Reporting the District's Fiduciary Responsibilities

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

**(Table 1)
Net Position – Cash Basis**

	Governmental Activities	
	2014	2013
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$4,315,538	\$5,041,072
Total Assets	<u>4,315,538</u>	<u>5,041,072</u>
Net Position:		
Restricted for:		
Capital Outlay	327	1,023,663
Debt Service	459,551	417,042
Other Purposes	80,371	90,959
Unrestricted	<u>3,775,289</u>	<u>3,509,408</u>
Total Net Position	<u>\$4,315,538</u>	<u>\$5,041,072</u>

Net position of the governmental activities in decreased \$725,534, which represents a 14 percent decrease from fiscal year 2013. The decrease in cash and cash equivalents is due to the School District refunding the unused balance of OFCC Building Fund cash in the amount of \$996,027.

A portion of the School District's net position, \$540,249 or 13 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$3,775,289 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

**(Table 2)
Change in Net Position**

	Governmental Activities	
	2014	2013
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$744,135	\$695,373
Operating Grants, Contributions and Interest	420,066	521,790
Capital Grants, Contributions and Interest		4,410
Total Program Receipts	<u>1,164,201</u>	<u>1,221,573</u>
General Receipts:		
Property Taxes	3,117,265	3,108,386
Grants and Entitlements not Restricted to Specific Programs	5,870,541	5,628,634
Payments in Lieu of Taxes	31,199	31,199
Proceeds from Sale of Capital Assets	1,010	450
Investment Earnings	27,608	27,673
Miscellaneous	96,675	85,557
Total General Receipts	<u>9,144,298</u>	<u>8,881,899</u>
Total Receipts	<u>10,308,499</u>	<u>10,103,472</u>

(Continued)

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

**(Table 2)
Change in Net Position**

	Governmental Activities	
	2014	2013
Program Disbursements:		
Instruction:		
Regular	4,653,629	4,765,072
Special	1,303,726	1,233,743
Vocational	236,825	306,802
Adult/Continuing Education	450	200
Other	660	3,166
Support Services:		
Pupils	238,344	198,134
Instructional Staff	150,234	141,018
Board of Education	20,124	21,170
Administration	780,307	759,607
Fiscal	277,633	278,032
Operation and Maintenance of Plant	610,195	574,846
Pupil Transportation	294,498	206,443
Central	2,076	1,184
Operation of Non-Instructional Services:		
Food Service Operations	384,666	368,887
Community Services		405
Extracurricular Activities	626,346	638,812
Capital Outlay	73,380	147,230
Debt Service:		
Principal Retirement	114,050	182,296
Interest and Fiscal Charges	270,863	200,616
Total Program Disbursements	<u>10,038,006</u>	<u>10,027,663</u>
Excess/(Deficiency) Before Special Item	270,493	75,809
Special Item	(996,027)	
Change in Net Position	(725,534)	75,809
Net Position Beginning of Year	5,041,072	4,965,263
Net Position End of Year	<u>\$4,315,538</u>	<u>\$5,041,072</u>

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

**(Table 3)
Governmental Activities**

	Total Costs of Services		Net Costs of Services	
	2014	2013	2014	2013
Program Disbursements:				
Instruction:				
Regular	\$4,653,629	\$4,765,072	\$4,544,171	\$4,640,539
Special	1,303,726	1,233,743	1,094,488	1,028,481
Vocational	236,825	306,802	129,711	143,272
Adult/Continuing Education	450	200	450	(125)
Other	660	3,166	660	3,166
Support Services:				
Pupils	238,344	198,134	238,344	198,134
Instructional Staff	150,234	141,018	150,234	141,018
Board of Education	20,124	21,170	20,124	21,170
Administration	780,307	759,607	780,307	759,607
Fiscal	277,633	278,032	277,633	278,032
Operation and Maintenance of plant	610,195	574,846	603,234	532,109
Pupil Transportation	294,498	206,443	270,097	184,926
Central	2,076	1,184	2,076	1,184
Operation of Non-Instructional Services:				
Food Service Operations	384,666	368,887	20,578	54,220
Community Services		405		405
Extracurricular Activities	626,346	638,812	283,405	294,220
Capital Outlay	73,380	147,230	73,380	142,820
Debt Service:				
Principal Retirement	114,050	182,296	114,050	182,296
Interest and Fiscal Charges	270,863	200,616	270,863	200,616
Total	\$10,038,006	\$10,027,663	\$8,873,805	\$8,806,090

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 12 percent of all governmental expenses. Property taxes and grants and entitlements not restricted to specific purposes are the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$4,315,538, which is lower than the prior year balance of \$5,041,072.

The general fund had total cash receipts of \$8,873,551. The cash disbursements of the general fund totaled \$8,553,252. The general fund's fund balance increased \$258,909 in 2014, primarily due to an increase in state foundation receipts.

The bond retirement fund balance increased \$42,509 in fiscal year 2014. This is due to timing differences between tax receipts and debt payments.

The OFCC building fund had total cash receipts of \$3,045 and a special item of \$814,260, for a decrease in fund balance of \$811,215 in 2014. The School District repaid money to the OFCC after the final closeout of their construction project.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District slightly modified its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis receipts, exclusive of other financing sources, were the same as the original budget estimate of \$8,539,531. Actual receipts, exclusive of other financing sources, were \$156,332 more than the final budget, primarily due to an underestimation of intergovernmental and property tax receipts.

The general fund final budget basis disbursements, exclusive of other financing uses, were \$8,546,200, which is over the original budget disbursements of \$8,410,299. Actual disbursements, exclusive of other financing uses, of \$8,405,245 were \$140,955 lower than the final budget due to an overall overestimation of instruction and support services disbursements.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2014 and 2013.

**(Table 4)
Long-term Debt Obligations**

	Governmental Activities	
	2014	2013
2004 Refunding – Current Interest and Capital Appreciation Bonds	\$885,000	\$1,004,792
2006 Refunding – Current Interest and Capital Appreciation Bonds	1,357,459	1,486,363
Total	<u>\$2,242,459</u>	<u>\$2,491,155</u>

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

Current Issues

The St. Henry Consolidated Local School District continues to receive strong support from the residents of the School District. As the proceeding information shows, the School District relies heavily on its local property tax. In May 2014, the Board of Education submitted an operating levy, which was approved by the residents.

Real estate and personal property tax collections have shown small increases each year during the past 30 years due to the unique nature of property tax law in Ohio. The overall receipts generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920, which was passed in 1976. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annual in property taxes. If three years later the home was reappraised and increased in value to \$200,000, the effective tax rate would become 0.5 mills and the homeowner would still pay \$35.00 in property taxes. This rollback of property millage does not increase tax collections, and therefore, created the need for school districts to routinely seek voter approval for operating funds.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

The School District has also been affected by changes in the personal property tax structure (utility deregulation and gradual elimination of tangible personal property taxes) and commercial business property uncertainties. Management had diligently planned expenses so that the last levy collections will last longer than it was planned. This has been made increasingly difficult with legislative mandates in public education, rising student technology costs, increased special education services required for our students, and significant increases in health insurance premiums.

From a State funding prospective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed a portion of its tax revenue growth toward school districts with below average tax wealth. Our district was somewhat a beneficiary of this allocation of money.

The St. Henry Consolidated Local School District does not anticipate any meaningful growth in State revenue in the near future, which could place the School District in deficit spending during this time period. How the legislature plans to fund education programs in the future during a recovering state economy remains a big concern.

All scenarios require management to continue to plan carefully and prudently to provide the necessary resources to meet student academic needs over the next several years.

School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Glenn Miller, Treasurer of St. Henry Consolidated Local School District, 391 E. Columbus St, St. Henry, OH 45883.

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ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,315,538
Total Assets	<u>4,315,538</u>
Net Position:	
Restricted for:	
Capital Outlay	327
Debt Service	459,551
Other Purposes	80,371
Unrestricted	3,775,289
Total Net Position	<u><u>\$4,315,538</u></u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$4,653,629	\$89,619	\$19,839	(\$4,544,171)
Special	1,303,726		209,238	(1,094,488)
Vocational	236,825		107,114	(129,711)
Adult/Continuing Education	450			(450)
Other	660			(660)
Support Services:				
Pupils	238,344			(238,344)
Instructional Staff	150,234			(150,234)
Board of Education	20,124			(20,124)
Administration	780,307			(780,307)
Fiscal	277,633			(277,633)
Operation and Maintenance of Plant	610,195		6,961	(603,234)
Pupil Transportation	294,498	24,401		(270,097)
Central	2,076			(2,076)
Operation of Non-Instructional Services:				
Food Service Operations	384,666	287,174	76,914	(20,578)
Extracurricular Activities	626,346	342,941		(283,405)
Capital Outlay	73,380			(73,380)
Debt Service:				
Principal Retirement	114,050			(114,050)
Interest and Fiscal Charges	270,863			(270,863)
Totals	<u>\$10,038,006</u>	<u>\$744,135</u>	<u>\$420,066</u>	<u>(8,873,805)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	2,611,576
Debt Service	362,082
Capital Outlay	105,959
Building Maintenance	37,648
Grants and Entitlements not Restricted to Specific Programs	5,870,541
Payments in Lieu of Taxes	31,199
Proceeds from Sale of Capital Assets	1,010
Investment Earnings	27,608
Miscellaneous	96,675
Total General Receipts	<u>9,144,298</u>
Special Item (See Note 2N)	<u>(996,027)</u>
Total General Receipts and Special Item	<u>8,148,271</u>
Change in Net Position	(725,534)
Net Position Beginning of Year	<u>5,041,072</u>
Net Position End of Year	<u>\$4,315,538</u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,775,289	\$459,551	\$80,698	\$4,315,538
Total Assets	<u>3,775,289</u>	<u>459,551</u>	<u>80,698</u>	<u>4,315,538</u>
Fund Balances:				
Restricted		459,551	80,698	540,249
Assigned	79,005			79,005
Unassigned	3,696,284			3,696,284
Total Fund Balances	<u>\$3,775,289</u>	<u>\$459,551</u>	<u>\$80,698</u>	<u>\$4,315,538</u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>OFCC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and Other Local Taxes	\$2,611,576	\$362,082		\$143,607	\$3,117,265
Intergovernmental	5,838,484	74,082		372,529	6,285,095
Investment Income	24,563		\$3,045	612	28,220
Tuition and Fees	108,573				108,573
Extracurricular Activities	152,134			190,807	342,941
Gifts and Donations	4,900				4,900
Charges for Services				287,174	287,174
Payments in Lieu of Taxes	31,199				31,199
Rent	5,447				5,447
Miscellaneous	96,675				96,675
Total Receipts	<u>8,873,551</u>	<u>436,164</u>	<u>3,045</u>	<u>994,729</u>	<u>10,307,489</u>
Disbursements:					
Current:					
Instruction:					
Regular	4,559,189			94,440	4,653,629
Special	1,076,765			226,961	1,303,726
Vocational	230,575			6,250	236,825
Adult/Continuing Education	450				450
Other	660				660
Support Services:					
Pupils	238,344				238,344
Instructional Staff	150,234				150,234
Board of Education	20,124				20,124
Administration	780,307				780,307
Fiscal	265,427	8,742		3,464	277,633
Operation and Maintenance of Plant	599,868			10,327	610,195
Pupil Transportation	206,626			87,872	294,498
Central	2,076				2,076
Extracurricular Activities	420,819			205,527	626,346
Operation of Non-Instructional Services:					
Food Service Operations	301			384,365	384,666
Capital Outlay	1,487			71,893	73,380
Debt Service:					
Principal Retirement		114,050			114,050
Interest and Fiscal Charges		270,863			270,863
Total Disbursements	<u>8,553,252</u>	<u>393,655</u>	<u>3,045</u>	<u>1,091,099</u>	<u>10,038,006</u>
Excess of Receipts Over (Under) Disbursements	<u>320,299</u>	<u>42,509</u>	<u>3,045</u>	<u>(96,370)</u>	<u>269,483</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	1,010				1,010
Advances In	43,300			105,700	149,000
Advances Out	(105,700)			(43,300)	(149,000)
Total Other Financing Sources (Uses)	<u>(61,390)</u>			<u>62,400</u>	<u>1,010</u>
Special Item:					
Special Item (See Note 2N)			(814,260)	(181,767)	(996,027)
Net Change in Fund Balances	258,909	42,509	(811,215)	(215,737)	(725,534)
Fund Balances Beginning of Year	<u>3,516,380</u>	<u>417,042</u>	<u>811,215</u>	<u>296,435</u>	<u>5,041,072</u>
Fund Balances End of Year	<u>\$3,775,289</u>	<u>\$459,551</u>	<u>\$0</u>	<u>\$80,698</u>	<u>\$4,315,538</u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$2,544,304	\$2,544,304	\$2,611,576	\$67,272
Intergovernmental	5,688,090	5,688,090	5,838,484	150,394
Investment Income	23,930	23,930	24,563	633
Tuition and Fees	173,442	173,442	108,573	(64,869)
Gifts and Donations	4,774	4,774	5,447	673
Payments in Lieu of Taxes	30,395	30,395	31,199	804
Rent	5,307	5,307	4,900	(407)
Miscellaneous	69,289	69,289	71,121	1,832
Total Receipts	<u>8,539,531</u>	<u>8,539,531</u>	<u>8,695,863</u>	<u>156,332</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,598,551	4,577,700	4,589,824	(12,124)
Special	1,068,060	1,089,800	1,076,766	13,034
Vocational	231,450	292,600	231,011	61,589
Other	661	3,000	660	2,340
Support Services:				
Pupils	233,114	233,200	232,672	528
Instructional Staff	153,400	145,300	153,109	(7,809)
Board of Education	20,887	23,500	20,847	2,653
Administration	781,796	827,200	780,486	46,714
Fiscal	258,946	259,500	258,455	1,045
Operation and Maintenance of Plant	604,468	602,800	603,321	(521)
Pupil Transportation	207,019	215,600	206,626	8,974
Central	2,080	1,300	2,076	(776)
Extracurricular Activities	248,075	270,200	247,604	22,596
Operation of Non-Instructional Services:				
Community Services	302	500	301	199
Capital Outlay	1,490	4,000	1,487	2,513
Total Disbursements	<u>8,410,299</u>	<u>8,546,200</u>	<u>8,405,245</u>	<u>140,955</u>
Excess of Receipts Over (Under) Disbursements	<u>129,232</u>	<u>(6,669)</u>	<u>290,618</u>	<u>297,287</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	984	984	1,010	26
Advances In	42,185	42,185	43,300	1,115
Advances Out	(105,901)		(105,700)	(105,700)
Total Other Financing Sources (Uses)	<u>(62,732)</u>	<u>43,169</u>	<u>(61,390)</u>	<u>(104,559)</u>
Net Change in Fund Balance	66,500	36,500	229,228	192,728
Fund Balance Beginning of Year	3,404,545	3,404,545	3,404,545	
Prior Year Encumbrances Appropriated	<u>62,509</u>	<u>62,509</u>	<u>62,509</u>	
Fund Balance End of Year	<u>\$3,533,554</u>	<u>\$3,503,554</u>	<u>\$3,696,282</u>	<u>\$192,728</u>

See accompanying notes to the basic financial statements.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

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

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$123,864
Total Assets	<u>123,864</u>
Net Position:	
Held in Trust for Employees	509
Held for Student Activities	123,355
Total Net Position	<u>\$123,864</u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

St. Henry Consolidated Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services in Mercer and Darke Counties as authorized by state statute and/or federal guidelines.

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

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

The School District is associated with five jointly governed organizations and three insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the State Support Team Region 6, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Education Council, the Southwestern Ohio Educational Purchasing Council, the Ohio School Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 12 and 13 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Sections 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation - Fund Accounting

1. Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, and 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. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

2. Fund Financial Statements

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

The School District uses funds to maintain its financial records during the fiscal year. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. Total assets, receipts, or disbursements of the individual governmental fund are at least five percent of the corresponding combined total for all governmental funds.

The funds of the financial reporting entity are described below:

3. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds for fiscal year 2014:

General Fund – The General Fund is the primary operating fund of the School District and, is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Bond Retirement Fund - The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

OFCC Building Fund – This fund accounts for the specific receipts to be used for the new Ohio Facilities Construction Commission school building project.

4. Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and employee paid portions of insurance.

C. 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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution 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. The legal level of budgetary control is at the object code level for the General Fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mercer County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipts of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the object level for expenditures of the General Fund, and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, alter object appropriations within General fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations

At the close of each fiscal 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 fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

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

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 School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as "Investments".

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited to the General Fund during fiscal year 2014 were \$24,563, of which \$3,015 was assigned from other funds.

E. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

F. Accumulated Leave

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

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as cash is received and payment of principal and interest are reported as disbursements when paid.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grant is received.

I. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

J. Interfund Activities

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Equity Classifications

1. Government-Wide Statements

Equity is classified as net position, and displayed in separate components:

- a. **Restricted net position** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. **Unrestricted net position** – All other net position that do not meet the definition of “restricted.”

Net position restricted for other purposes include resources restricted for public school support programs, athletic programs, classroom facilities and maintenance tax levy, and federal and state grants restricted to cash disbursement for specified purposes. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes at which both restricted and unrestricted net position is available.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, and operating and capital grants, contributions and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

2. Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, debt service, and food service operations.

N. 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 Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the School District closed out their Ohio Facilities Construction Commission (OFCC) construction project and had to return the final close out balance of \$996,027 to the OFCC. During fiscal year 2014, the School District had no extraordinary items.

O. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* and GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving non-exchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

3. DEPOSITS AND INVESTMENTS (Continued)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment; or by a collateral pool of eligible securities deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$4,433,042 and the bank balance was \$4,454,619. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,204,619 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2014, the School District had \$6,360 un-deposited cash on hand included in equity in pooled cash and cash equivalents.

4. PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

4. PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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

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

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$103,791,100	97.2%	\$105,198,370	97.2%
Public Utility Personal Property	3,019,170	2.8%	2,981,410	2.8%
Total Assessed Value	<u>\$106,810,270</u>	<u>100.0%</u>	<u>\$108,179,780</u>	<u>100.0%</u>

Full Tax Rate per \$1,000 of assessed valuation

5. PAYMENTS IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for the fiscal year 2014 amounted to \$31,199.

6. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with the Ohio School Plan, respectively, for the following insurance coverage:

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

6. RISK MANAGEMENT (Continued)

Buildings and Contents - Replacement Cost	\$42,111,910
Automobile Liability	5,000,000
Underinsured Motorists	1,000,000
General Liability:	
Per Occurrence	5,000,000
Aggregate	7,000,000
Legal Liability	5,000,000
Umbrella Liability	7,000,000

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

For fiscal year 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

B. Workers' Compensation

For fiscal year 2014, the School District contracted with CompManagement., a third party workers' compensation claims administrator. CompManagement is responsible for evaluating and processing workers' compensation claims in a timely manner.

C. Health Care Benefits

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

7. PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

7. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$128,467, \$130,930 and \$138,241, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

7. PENSION PLANS (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$535,731, \$547,496 and \$543,235, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$8,630 made by the School District and \$6,781, made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,076, \$15,857, and \$5,925, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,453, \$7,396, and \$7,406, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$41,120, \$42,115, and \$41,787, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

9. LONG-TERM OBLIGATIONS

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

9. LONG-TERM OBLIGATIONS (Continued)

<u>General Long-Term Obligations</u>	<u>Interest Rates</u>	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Due Within One Year</u>
2006 School Improvement						
Refunding Current Interest Bonds	3.75-5.75%	\$1,055,000			\$1,055,000	
Capital Appreciation Bonds	4.18-4.30%	314,998		\$104,051	210,947	\$106,226
Accretion for Cap. App. Bonds		116,365	\$16,096	40,949	91,512	46,060
2004 School Improvement						
Refunding Bonds	2.3-5.5%	885,000			885,000	135,000
Capital Appreciation Bonds		9,999		9,999		
Accretion for Cap. App. Bonds		109,793	15,208	125,001		
Total General Long-Term Obligations		\$2,491,155	\$31,304	\$280,000	\$2,242,459	\$287,286

2006 School Improvement Refunding General Obligation Bonds - On September 14, 2006, the School District issued \$1,514,998 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued in 2000 for construction and improvement to the School District's buildings and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of \$1,200,000, and \$315,000, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The net proceeds of the refunding were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$1,515,000 of 2000 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds was removed from the School District's long-term obligations.

The School District lowered its aggregated debt service payments by \$124,856 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$68,924.

The current interest bonds maturing on December 1, 2013, December 1, 2017, December 1, 2019, and December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2006 and on each December 1 thereafter. Unless previously redeemed, the remaining principal amounts of \$25,000 for the Current Interest Bond maturing in year 2011, \$150,000 for the Current Interest Bond maturing in year 2017; \$165,000 for the Current Interest Bond maturing in year 2019, and \$80,000 for the Current Interest Bond maturing in year 2022 shall be paid at stated maturity.

One of the capital appreciation bonds matured in fiscal year 2014, and the remaining will mature in fiscal year 2015 and 2016 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$145,000; \$155,000; and \$160,000, respectively. For fiscal year 2014, \$16,096 was accreted for a total bond value of \$302,459 (original principal plus accumulated accretion) as of June 30, 2014.

2004 School Improvement Refunding General Obligation Bonds - On December 1, 2004, the School District issued \$1,749,999 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued for construction and improvement to the School District's buildings and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of \$1,740,000, and \$9,999, respectively. The bonds are being retired from the Bond Retirement debt service fund.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

9. LONG-TERM OBLIGATIONS (Continued)

The current interest bonds maturing on December 1, 2006, December 1, 2016 and December 1, 2019, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2005 and on each December 1 thereafter. Unless previously redeemed, the remaining principal amount of \$100,000 for the Current Interest Bond maturing in year 2006, \$145,000 for the Current Interest Bond maturing in year 2016 and \$150,000 for the Current Interest Bond maturing in year 2019 shall be paid at stated maturity.

The term bonds maturing on or after December 1, 2015, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2014, at the redemption prices of 100 percent of the principal amount plus accrued interest.

The capital appreciation bonds matured in fiscal year 2014 and were not subject to redemption prior to maturity. The maturity amount of the bonds was \$135,000. For fiscal year 2014, \$15,208 was accreted.

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

Fiscal Year June 30,	2004 Bonds	2006 Bonds		Total Interest/ Accretion	Total
	Serial and Term Bonds	Serial and Term Bonds	Capital Appreciation Bonds		
2015	\$135,000		\$106,226	\$150,311	\$391,537
2016	140,000		104,721	149,941	394,662
2017	145,000	\$140,000		83,512	368,512
2018	155,000	150,000		67,675	372,675
2019	160,000	160,000		50,888	370,888
2020-2023	150,000	605,000		66,282	821,282
	<u>\$885,000</u>	<u>\$1,055,000</u>	<u>\$210,947</u>	<u>\$568,609</u>	<u>\$2,719,556</u>

10. FUND BALANCE

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

The constraints placed on major and all other governmental fund balances are presented below:

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. FUND BALANCE (Continued)

	General	Bond Retirement	Other Governmental	Total Governmental
Restricted for:				
Capital Improvements			\$327	\$327
Debt Service		\$459,551		459,551
Classroom maintenance			13,518	13,518
Food Service Operations			859	859
Extracurricular Activities			58,822	58,822
Other Purposes			7,172	7,172
Total Restricted		459,551	80,698	540,249
Assigned for:				
Instruction	\$31,071			31,071
Support Services	7,358			7,358
Adult Education	4,486			4,486
Educational Activities	7,313			7,313
Extracurricular Activities	28,777			28,777
Total Assigned	79,005			79,005
Unassigned	3,696,284			3,696,284
Total Fund Balance	\$3,775,289	\$459,551	\$80,698	\$4,315,538

11. STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2014, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2014.

Although the School District had offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

	Capital Acquisition	Budget Stabilization
Set-Aside Reserve Balance June 30, 2013		\$19,755
Current Year Set-Aside Requirement	\$159,942	
Current Year Offsets	(169,735)	
Total	(9,793)	19,755
Balance Carried Forward to Fiscal year 2015	\$0	\$0
Set-Aside Reserve Balance June 30, 2014	\$0	\$19,755

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

12. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is participant in the Northwest Ohio Area Computer Services Cooperative (the "NOACSC") which is a computer consortium. The NOACSC is an Information Technology Center (ITC) Cooperative organized as a Regional Council of Governments or COG. NOACSC is an association of fifty-two public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Lucas, Paulding, Putnam, Seneca, Van Wert and Wood Counties. The organization was formed for the purposes of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member school districts. The governing board of NOACSC consists of fourteen superintendents and treasurers who are employed by member schools within the computer consortium. Financial information can be obtained from Ray Burden, who serves as Director; 645 South Main Street; Lima, Ohio 45804.

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (the "Committee"), which is a regional council of governments established to provide professional educator license renewal standards and procedures.

The Committee is governed by an eleven-member board made up of six teachers, two principals, one superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center; 441 East Market Street; Celina, Ohio 45822.

State Support Team Region 6 - The State Support Team Region 6 ("SST6") is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST6 is governed by a board of 52 members made up of the 50 superintendents of the participating School Districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Marlene Graf, Director; 1045 Dearbaugh; Suite #1; Wapakoneta, Ohio 45895.

Northwestern Ohio Educational Research Council, Inc. - The Northwestern Ohio Educational Research Council, Inc. (the "NOERC") is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc.; 441 E. Market St.; Celina, Ohio 45822.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Metropolitan Educational Council (Purchasing Consortium) - The Metropolitan Educational Council (the "MEC") is a consortium of school districts and related agencies in the greater central Ohio area. The primary mission of the council shall be to contribute to the educational services made available to the youth and adults by the cooperative action of the membership. MEC shall identify, plan and provide to its members services that can be more effectively achieved by cooperative endeavors.

The governing board consists of a superintendent, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. The MEC serves a twenty-seven county area in central Ohio and has 151 members. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Metropolitan Educational Council; 2100 Citygate Dr.; Columbus, OH 43219.

13. GROUP PURCHASING POOL

A. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council ("SOEPC") is a purchasing council made up of 118 public school districts in 17 counties in southwestern Ohio. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary from withdrawal from the group. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swick, who serves as director, 303 Corporate Center; Suite 209; Vandalia, Ohio 45377.

B. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. GROUP PURCHASING POOL (Continued)

C. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (the "Trust") is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Steven Dandurand, Corporate One Benefits; 220 Perry Street; Suite 200; Fostoria, Ohio 44830.

14. CONTINGENCIES

A. Grants

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

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

C. Other Commitments

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

<u>Fund</u>	<u>Amount</u>
General	\$41,435
Other Governmental	39,865
	<u>\$81,300</u>

15. ADVANCES

During the fiscal year ended June 30, 2014, the following advances in and out occurred:

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

15. ADVANCES (Continued)

	Advances In	Advances Out
Fund:		
General	\$43,300	\$105,700
Other Governmental Funds:		
Permanent Improvements	22,000	
Food Service	49,000	27,500
Vocational Education Enhancement	1,100	
Title I	33,500	15,800
Title II	100	
	\$149,000	\$149,000

Advances were made at the end of fiscal year 2014 from the General Fund to various Other Governmental Funds to cover operations or expenditures made while awaiting reimbursement by granting authorities. The General Fund received \$43,300 which was repayment of prior year advances.

16. BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance – budget and actual (cash basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

	Net Change in Fund Balance
	General Fund
Budget Basis	\$229,228
Funds budgeted elsewhere**	(8,681)
Adjustment for encumbrances	38,362
Cash basis	\$258,909

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes adult education, special rotary, public school support and unclaimed monies funds.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

17. COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2014, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of the St. Henry Consolidated Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In 2013, General Receipts accounted for \$8,881,899 or 88 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$1,221,573 or 12 percent of total receipts of \$10,103,472.
- Total program disbursements in 2013 were \$10,027,663.
- In 2013, net position increased \$75,809.

Using this Annual Report

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

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole. Fund financial statements provide a greater level of detail. For governmental funds these statements present financial information by fund, presenting the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the St. Henry Consolidated Local School District, the General Fund and OSFC Building Fund are by far the most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 41. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the OSFC Building Fund.

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

Reporting the District's Fiduciary Responsibilities

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

(Table 1)
Net Position – Cash Basis

	Governmental Activities	
	2013	2012
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,041,072	\$4,965,263
Total Assets	<u>5,041,072</u>	<u>4,965,263</u>
Net Position:		
Restricted for:		
Capital Outlay	1,023,663	936,889
Debt Service	417,042	372,140
Other Purposes	90,959	198,536
Unrestricted	3,509,408	3,457,698
Total Net Position	<u>\$5,041,072</u>	<u>\$4,965,263</u>

Net position of the governmental activities increased \$75,809, which represents a 2 percent increase from fiscal year 2012.

A portion of the School District's net position, \$1,531,664 or 30 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$3,509,408 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2013 as compared to fiscal year 2012.

(Table 2)
Change in Net Position

	Governmental Activities	
	2013	2012
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$695,373	\$703,135
Operating Grants, Contributions and Interest	521,790	864,188
Capital Grants, Contributions and Interest	4,410	26,161
Total Program Receipts	<u>1,221,573</u>	<u>1,593,484</u>
General Receipts:		
Property Taxes	3,108,386	3,059,311
Grants and Entitlements not Restricted to Specific Programs	5,628,634	5,578,529
Payments in Lieu of Taxes	31,199	34,256
Proceeds from Sale of Capital Assets	450	384
Investment Earnings	27,673	34,825
Miscellaneous	85,557	59,474
Total General Receipts	<u>8,881,899</u>	<u>8,766,779</u>
Total Receipts	<u>10,103,472</u>	<u>10,360,263</u>

(Continued)

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

**(Table 2)
Change in Net Position
(Continued)**

	Governmental Activities	
	2013	2012
Program Disbursements:		
Instruction:		
Regular	4,765,072	4,472,726
Special	1,233,743	1,238,024
Vocational	306,802	322,495
Adult/Continuing Education	200	234
Other	3,166	2,526
Support Services:		
Pupils	198,134	215,816
Instructional Staff	141,018	278,660
Board of Education	21,170	19,636
Administration	759,607	753,120
Fiscal	278,032	278,457
Operation and Maintenance of Plant	574,846	598,879
Pupil Transportation	206,443	304,073
Central	1,184	1,236
Operation of Non-Instructional Services:		
Food Service Operations	368,887	330,899
Community Services	405	617
Extracurricular Activities	638,812	615,324
Capital Outlay	147,230	89,486
Debt Service:		
Principal Retirement	182,296	231,175
Interest and Fiscal Charges	200,616	147,300
Total Program Disbursements	10,027,663	9,900,683
Change in Net Position	75,809	459,580
Net Position Beginning of Year	4,965,263	4,505,683
Net Position End of Year	\$5,041,072	\$4,965,263

The decrease in operating grants and contributions is due to the expiration of the educational jobs grant.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

	Total Costs of Services		Net Costs of Services	
	2013	2012	2013	2012
Program Disbursements:				
Instruction:				
Regular	\$4,765,072	\$4,472,726	\$4,640,539	\$4,038,805
Special	1,233,743	1,238,024	1,028,481	1,008,665
Vocational	306,802	322,495	143,272	154,389
Adult/Continuing Education	200	234	(125)	234
Other	3,166	2,526	3,166	2,526
Support Services:				
Pupils	198,134	215,816	198,134	207,699
Instructional Staff	141,018	278,660	141,018	278,660
Board of Education	21,170	19,636	21,170	19,636
Administration	759,607	753,120	759,607	753,120
Fiscal	278,032	278,457	278,032	278,457
Operation and Maintenance of plant	574,846	598,879	532,109	555,225
Pupil Transportation	206,443	304,073	184,926	281,994
Central	1,184	1,236	1,184	1,236
Operation of Non-Instructional Services:				
Food Service Operations	368,887	330,899	54,220	10,607
Community Services	405	617	405	617
Extracurricular Activities	638,812	615,324	294,220	273,529
Capital Outlay	147,230	89,486	142,820	63,325
Debt Service:				
Principal Retirement	182,296	231,175	182,296	231,175
Interest and Fiscal Charges	200,616	147,300	200,616	147,300
Total	\$10,027,663	\$9,900,683	\$8,806,090	\$8,307,199

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 12 percent of all governmental expenses. Property taxes and grants and entitlements not restricted to specific purposes are the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$5,041,072, which is higher than the prior year balance of \$4,965,263.

The general fund had total cash receipts, including other financing sources, of \$8,702,976. The cash disbursements, including other financing uses, of the general fund totaled \$8,639,483. The general fund's fund balance increased \$63,493 in 2013.

The OSFC building fund had total cash receipts of \$4,410, for an increase in fund balance of \$4,410 in 2013.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District slightly modified its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis receipts, exclusive of other financing sources, were the same as the original budget estimate of \$8,341,400. Actual receipts, exclusive of other financing sources, were \$186,865 more than the final budget, primarily due to an underestimation of intergovernmental and property tax receipts.

The general fund final budget basis disbursements, exclusive of other financing uses, were \$8,841,600, which is over the original budget disbursements of \$8,686,600. Actual disbursements, exclusive of other financing uses, of \$8,515,884 were \$325,716 lower than the final budget due to an overall overestimation of instruction and support services disbursements.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2013 and 2012.

**(Table 4)
Long-term Debt Obligations**

	Governmental Activities	
	2013	2012
2000 School Improvement Capital Appreciation Bonds		\$112,323
2004 Refunding – Current Interest and Capital Appreciation Bonds	\$1,004,792	1,109,595
2006 Refunding – Current Interest and Capital Appreciation Bonds	1,486,363	1,492,008
Total	<u>\$2,491,155</u>	<u>\$2,713,926</u>

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

Current Issues

The St. Henry Consolidated Local School District continues to receive strong support from the residents of the School District. As the proceeding information shows, the School District relies heavily on its local property tax. In May 2009, the Board of Education submitted an operating levy, which was approved by the residents.

Real estate and personal property tax collections have shown small increases each year during the past 30 years due to the unique nature of property tax law in Ohio. The overall receipts generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920, which was passed in 1976. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annual in property taxes. If three years later the home was reappraised and increased in value to \$200,000, the effective tax rate would become 0.5 mills and the homeowner would still pay \$35.00 in property taxes. This rollback of property millage does not increase tax collections, and therefore, created the need for school districts to routinely seek voter approval for operating funds.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The School District has also been affected by changes in the personal property tax structure (utility deregulation and gradual elimination of tangible personal property taxes) and commercial business property uncertainties. Management had diligently planned expenses so that the last levy collections will last longer than it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance premiums.

From a State funding prospective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed a portion of its tax revenue growth toward school districts with below average tax wealth. Our district was somewhat a beneficiary of this allocation of money.

The St. Henry Consolidated Local School District does not anticipate any meaningful growth in State revenue in the near future, which could place the School District in deficit spending during this time period. How the legislature plans to fund education programs in the future during a weakened economy remains a big concern.

All scenarios require management to continue to plan carefully and prudently to provide the necessary resources to meet student academic needs over the next several years.

The School District has completed school building additions and renovations in conjunction with the Ohio School Facilities Commission. This \$20,000,000 building project has been essentially complete with approximately \$811,000 in unspent monies that remain. These unspent funds will have to be paid back to the Ohio School Facilities Commission after all the project closeout requirements have been accomplished.

School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Glenn Miller, Treasurer of St. Henry Consolidated Local School District, 391 E. Columbus St, St. Henry, OH 45883.

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ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF NET POSITION - CASH BASIS
June 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,041,072
Total Assets	<u>5,041,072</u>
Net Position:	
Restricted for:	
Capital Outlay	1,023,663
Debt Service	417,042
Other Purposes	90,959
Unrestricted	3,509,408
Total Net Position	<u><u>\$5,041,072</u></u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	
				Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$4,765,072	\$84,793	\$39,740	(\$4,640,539)	
Special	1,233,743		205,262	(1,028,481)	
Vocational	306,802		163,530	(143,272)	
Adult/Continuing Education	200	325		125	
Other	3,166			(3,166)	
Support Services:					
Pupils	198,134			(198,134)	
Instructional Staff	141,018			(141,018)	
Board of Education	21,170			(21,170)	
Administration	759,607			(759,607)	
Fiscal	278,032			(278,032)	
Operation and Maintenance of Plant	574,846		42,737	(532,109)	
Pupil Transportation	206,443	21,517		(184,926)	
Central	1,184			(1,184)	
Operation of Non-Instructional Services:					
Food Service Operations	368,887	244,146	70,521	(54,220)	
Community Services	405			(405)	
Extracurricular Activities	638,812	344,592		(294,220)	
Capital Outlay	147,230			(142,820)	
Debt Service:					
Principal Retirement	182,296			(182,296)	
Interest and Fiscal Charges	200,616			(200,616)	
Totals	\$10,027,663	\$695,373	\$521,790	\$4,410	(8,806,090)

General Receipts:

Property Taxes Levied for:

General Purposes	2,606,386
Debt Service	361,792
Capital Outlay	103,483
Building Maintenance	36,725
Grants and Entitlements not Restricted to Specific Programs	5,628,634
Payments in Lieu of Taxes	31,199
Proceeds from Sale of Capital Assets	450
Investment Earnings	27,673
Miscellaneous	85,557
Total General Receipts	8,881,899
Change in Net Position	75,809
Net Position Beginning of Year	4,965,263
Net Position End of Year	\$5,041,072

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,516,380	\$811,215	\$713,477	\$5,041,072
Total Assets	<u>3,516,380</u>	<u>811,215</u>	<u>713,477</u>	<u>5,041,072</u>
Fund Balances:				
Non-spendable	6,972			6,972
Restricted		811,215	713,477	1,524,692
Assigned	122,806			122,806
Unassigned	3,386,602			3,386,602
Total Fund Balances	<u>\$3,516,380</u>	<u>\$811,215</u>	<u>\$713,477</u>	<u>\$5,041,072</u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	OSFC Building Fund	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$2,606,386		\$502,000	\$3,108,386
Intergovernmental	5,693,261		452,011	6,145,272
Investment Income	27,673	\$4,410	150	32,233
Tuition and Fees	103,893			103,893
Extracurricular Activities	127,314		217,278	344,592
Gifts and Donations	5,000			5,000
Charges for Services			244,147	244,147
Payments in Lieu of Taxes	31,199			31,199
Rent	2,743			2,743
Miscellaneous	85,557			85,557
Total Receipts	8,683,026	4,410	1,415,586	10,103,022
Disbursements:				
Current:				
Instruction:				
Regular	4,686,920		78,152	4,765,072
Special	1,024,270		209,473	1,233,743
Vocational	306,802			306,802
Adult/Continuing Education	200			200
Other	3,166			3,166
Support Services:				
Pupils	198,134			198,134
Instructional Staff	141,018			141,018
Board of Education	21,170			21,170
Administration	759,607			759,607
Fiscal	265,737		12,295	278,032
Operation and Maintenance of Plant	572,231		2,615	574,846
Pupil Transportation	206,443			206,443
Central	1,184			1,184
Extracurricular Activities	400,287		238,525	638,812
Operation of Non-Instructional Services:				
Food Service Operations			368,887	368,887
Community Services	405			405
Capital Outlay	8,609		138,621	147,230
Debt Service:				
Principal Retirement			182,296	182,296
Interest and Fiscal Charges			200,616	200,616
Total Disbursements	8,596,183		1,431,480	10,027,663
Excess of Receipts Over (Under) Disbursements	86,843	4,410	(15,894)	75,359
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	450			450
Advances In	19,500		43,300	62,800
Advances Out	(43,300)		(19,500)	(62,800)
Total Other Financing Sources (Uses)	(23,350)		23,800	450
Net Change in Fund Balances	63,493	4,410	7,906	75,809
Fund Balances Beginning of Year	3,452,887	806,805	705,571	4,965,263
Fund Balances End of Year	\$3,516,380	\$811,215	\$713,477	\$5,041,072

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$2,554,400	\$2,554,400	\$2,606,386	\$51,986
Intergovernmental	5,579,000	5,579,000	5,693,261	114,261
Investment Income	32,000	32,000	27,673	(4,327)
Tuition and Fees	103,300	103,300	103,568	268
Gifts and Donations	4,700	4,700	5,000	300
Payments in Lieu of Taxes	35,000	35,000	31,199	(3,801)
Rent	5,000	5,000	2,743	(2,257)
Miscellaneous	28,000	28,000	58,435	30,435
Total Receipts	<u>8,341,400</u>	<u>8,341,400</u>	<u>8,528,265</u>	<u>186,865</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,623,500	4,773,500	4,734,187	39,313
Special	1,041,700	1,046,700	1,024,849	21,851
Vocational	328,300	328,300	306,802	21,498
Other	3,000	3,000	3,166	(166)
Support Services:				
Pupils	196,600	196,600	190,511	6,089
Instructional Staff	301,400	301,400	143,377	158,023
Board of Education	23,500	23,500	21,319	2,181
Administration	810,800	810,800	760,342	50,458
Fiscal	268,200	268,200	265,737	2,463
Operation and Maintenance of Plant	631,800	631,800	585,851	45,949
Pupil Transportation	215,400	215,400	208,902	6,498
Central	1,100	1,100	1,184	(84)
Extracurricular Activities	234,800	234,800	260,643	(25,843)
Operation of Non-Instructional Services:				
Community Services	500	500	405	95
Capital Outlay	6,000	6,000	8,609	(2,609)
Total Disbursements	<u>8,686,600</u>	<u>8,841,600</u>	<u>8,515,884</u>	<u>325,716</u>
Excess of Receipts Over (Under) Disbursements	<u>(345,200)</u>	<u>(500,200)</u>	<u>12,381</u>	<u>512,581</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	500	500	450	(50)
Refund of Prior Year Expenditures	1,000	1,000	1,296	296
Advances In			19,500	19,500
Advances Out			(43,300)	(43,300)
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>1,500</u>	<u>(22,054)</u>	<u>(23,554)</u>
Net Change in Fund Balance	(343,700)	(498,700)	(9,673)	489,027
Fund Balance Beginning of Year	3,394,243	3,394,243	3,394,243	
Prior Year Encumbrances Appropriated	19,975	19,975	19,975	
Fund Balance End of Year	<u>\$3,070,518</u>	<u>\$2,915,518</u>	<u>\$3,404,545</u>	<u>\$489,027</u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$99,229
Total Assets	<u>99,229</u>
Net Position:	
Held in Trust for Employees	415
Held for Student Activities	98,814
Total Net Position	<u>99,229</u>

See accompanying notes to the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

St. Henry Consolidated Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services in Mercer and Darke Counties as authorized by state statute and/or federal guidelines.

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

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

The School District is associated with six organizations, which are defined as jointly governed organizations, and three insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the State Support Team Region 6, the West Central Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Education Council, the Southwestern Ohio Educational Purchasing Council, Ohio School Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 12 and 13 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Sections 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation - Fund Accounting

1. Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, and 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. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

2. Fund Financial Statements

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

The School District uses funds to maintain its financial records during the fiscal year. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund are at least five percent of the corresponding combined total for all governmental funds.

The funds of the financial reporting entity are described below:

3. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds for fiscal year 2013:

General Fund – The General Fund is the primary operating fund of the School District and, is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

OSFC Building Fund – This fund accounts for the specific receipts to be used for the new Ohio School Facilities Commission school building project.

4. Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and employee paid portions of insurance.

C. 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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution 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. The legal level of budgetary control is at the object code level for the General Fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Standard County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipts of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the object level for expenditures of the General Fund, and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, alter object appropriations within the General fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations

At the close of each fiscal 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 fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

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 School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as "Investments".

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited to the General Fund during fiscal year 2013 were \$27,673, of which \$8,266 was assigned from other funds.

E. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

F. Accumulated Leave

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as cash is received and payment of principal and interest are reported as disbursements when paid.

H. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grant is received.

I. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

J. Interfund Activities

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Equity Classifications

1. Government-Wide Statements

Equity is classified as net position, and displayed in separate components:

- a. **Restricted net position** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. **Unrestricted net position** – All other net position that do not meet the definition of “restricted.”

Net position restricted for other purposes include resources restricted for public school support programs, athletic programs, classroom facilities and maintenance tax levy, and federal and state grants restricted to cash disbursement for specified purposes. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes at which both restricted and unrestricted net position is available.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, and operating and capital grants, contributions and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

2. Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

N. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets. These changes were incorporated in the School District's fiscal year 2013 Statements; however, there was no effect on beginning net position fund balance.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 monies may be deposited or invested in the following securities:

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment; or by a collateral pool of eligible securities deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$5,133,841 and the bank balance was \$5,164,507. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,914,507 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2013, the School District had \$6,460 un-deposited cash on hand included in equity in pooled cash and cash equivalents.

4. PROPERTY TAXES

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Mercer and Darke Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

	2012 Second-Half Collections		2013 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$102,092,180	97.3%	\$103,791,100	97.2%
Public Utility Personal Property	2,805,130	2.7%	3,019,170	2.8%
Total Assessed Value	\$104,897,310	100.0%	\$106,810,270	100.0%
Full Tax Rate per \$1,000 of assessed valuation	\$37.08		\$36.81	

5. PAYMENTS IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for the fiscal year 2013 amounted to \$31,199.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with Ohio School Plan for the following insurance coverage:

Buildings and Contents - Replacement Cost	\$42,111,910
Automobile Liability	5,000,000
Underinsured Motorists	1,000,000
General Liability:	
Per Occurrence	5,000,000
Aggregate	7,000,000
Legal Liability	5,000,000
Umbrella Liability	7,000,000

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

For fiscal year 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

B. Workers' Compensation

For fiscal year 2013, the School District contracted with Sheakley Uniservice, Inc., a third party workers' compensation claims administrator. Sheakley is responsible for evaluating and processing workers' compensation claims in a timely manner.

C. Health Care Benefits

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$130,930, \$138,241 and \$139,615, respectively; 77 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. PENSION PLANS (Continued)

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$547,496, \$543,235 and \$563,000, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$8,281 made by the School District and \$5,915 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$15,857, \$5,925, and \$14,261, respectively; 77 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$7,396, \$7,406, and \$7,579, respectively; 77 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$42,115, \$41,787, and \$43,308, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

General Long-Term Obligations	Interest Rates	Balance 6/30/2012	Additions	Reductions	Balance 6/30/2013	Due Within One Year
2006 School Improvement						
Refunding Current Interest Bonds	3.75-5.75%	\$1,080,000		\$25,000	\$1,055,000	
Capital Appreciation Bonds	4.18-4.30%	314,998			314,998	\$104,051
Accretion for Cap. App. Bonds		97,010	\$19,355		116,365	38,409
2004 School Improvement						
Refunding Bonds	2.3-5.5%	1,020,000		135,000	885,000	
Capital Appreciation Bonds		9,999			9,999	9,999
Accretion for Cap. App. Bonds		79,596	30,197		109,793	109,793
2000 School Improvement						
Capital Appreciation Bonds	4.4-5.75%	22,296		22,296		
Accretion for Cap. App. Bonds		90,027	2,677	92,704		
Total General Long-Term Obligations		<u>\$2,713,926</u>	<u>\$52,229</u>	<u>\$275,000</u>	<u>\$2,491,155</u>	<u>\$262,252</u>

2006 School Improvement Refunding General Obligation Bonds - On September 14, 2006, the School District issued \$1,514,998 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued in 2000 for construction and improvement to the School District's buildings and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of \$1,200,000, and \$315,000, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The net proceeds of the refunding were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$1,515,000 of the 2000 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds was removed from the School District's long-term obligations.

The School District lowered its aggregated debt service payments by \$124,856 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$68,924.

The current interest bonds maturing on December 1, 2012, December 1, 2017, December 1, 2019, and December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2006 and on each December 1 thereafter. Unless previously redeemed, the remaining principal amounts of \$25,000 for the Current Interest Bond maturing in year 2011, \$150,000 for the Current Interest Bond maturing in year 2017; \$165,000 for the Current Interest Bond maturing in year 2019, and \$80,000 for the Current Interest Bond maturing in year 2022 shall be paid at stated maturity.

The capital appreciation bonds will mature in fiscal year 2014, 2015 and 2016 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$145,000; \$155,000; and \$160,000, respectively. For fiscal year 2013, \$19,355 was accreted for a total bond value of \$431,363 as of June 30, 2013.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

2004 School Improvement Refunding General Obligation Bonds - On December 1, 2004, the School District issued \$1,749,999 in general obligation bonds for the purpose of refunding outstanding general obligation bonds originally issued for construction and improvement to the School District's buildings and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of \$1,740,000, and \$9,999, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The current interest bonds maturing on December 1, 2006, December 1, 2016 and December 1, 2019, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, starting on December 1, 2005 and on each December 1 thereafter. Unless previously redeemed, the remaining principal amount of \$100,000 for the Current Interest Bond maturing in year 2006, \$145,000 for the Current Interest Bond maturing in year 2016 and \$150,000 for the Current Interest Bond maturing in year 2019 shall be paid at stated maturity.

The term bonds maturing on or after December 1, 2015, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2014, at the redemption prices of 100 percent of the principal amount plus accrued interest.

The capital appreciation bonds will mature in fiscal year 2014 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$135,000. For fiscal year 2013, \$30,197 was accreted for total bond value of \$119,792 as of June 30, 2013.

2000 School Improvement General Obligation Bonds - On March 30, 2000, the School District issued \$2,450,786 in voted general obligation bonds for construction and improvement to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$895,000, \$1,515,000, and \$40,786, respectively. The bonds were retired from the Debt Service fund.

The serial and term bonds were repaid during the fiscal year ended June 30, 2011.

The capital appreciation bonds matured in fiscal year 2013 and were not subject to redemption prior to maturity. The maturity amount of the bonds was \$115,000.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013, were as follows:

Fiscal Year June 30,	2004 General Obligation		2006 General Obligation		Total Interest/ Accretion	Total
	Serial and Term Bonds	Capital Appreciation Bonds	Serial and Term Bonds	Capital Appreciation Bonds		
2014		\$9,999		\$104,051	\$270,863	\$384,913
2015	\$135,000			106,225	150,311	391,536
2016	140,000			104,722	149,941	394,663
2017	145,000		\$140,000		83,512	368,512
2018	155,000		150,000		182,545	487,545
2019-2023	310,000		765,000		2,300	1,077,300
	<u>\$885,000</u>	<u>\$9,999</u>	<u>\$1,055,000</u>	<u>\$314,998</u>	<u>\$839,472</u>	<u>\$3,104,469</u>

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. FUND BALANCE

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

The constraints placed on major and all other governmental fund balances are presented below:

	General	OSF Building Project	Other Governmental	Total Governmental
Non-spendable:				
Unclaimed Monies	\$6,972			\$6,972
Restricted for:				
Capital Improvements		\$811,215	\$212,448	1,023,663
Debt Service			417,042	417,042
Classroom maintenance			5,881	5,881
Food Service Operations			473	473
Extracurricular Activities			73,542	73,542
Other Purposes			4,091	4,091
Total Restricted		811,215	713,477	1,524,692
Assigned for:				
Instruction	43,035			43,035
Support Services	19,473			19,473
Adult Education	4,936			4,936
Educational Activities	7,650			7,650
Extracurricular Activities	47,712			47,712
Total Assigned	122,806			122,806
Unassigned	3,386,602			3,386,602
Total Fund Balance	\$3,516,380	\$811,215	\$713,477	\$5,041,072

11. STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2013, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2013.

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. STATUTORY RESERVES (Continued)

	Capital Acquisition	Budget Stabilization
Set-Aside Reserve Balance June 30, 2012		\$19,755
Current Year Set-Aside Requirement	\$163,142	
Current Year Qualifying Disbursements		
Excess Qualified Disbursements from Prior Year		
Current Year Offsets	(166,131)	
Prior Year Offsets from Bond Proceeds		
Total	(\$2,989)	\$19,755
Balance Carried Forward to Fiscal Year 2014	\$0	\$0
Set Aside Reserve Balance June 30, 2013	\$0	\$19,755

12. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is participant in the Northwest Ohio Area Computer Services Cooperative (the "NOACSC") which is a computer consortium. The NOACSC is an Information Technology Center (ITC) Cooperative organized as a Regional Council of Governments or COG. NOACSC is an association of fifty-two public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Lucas, Paulding, Putnam, Seneca, Van Wert and Wood Counties. The organization was formed for the purposes of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member school districts. The governing board of NOACSC consists of fourteen superintendents and treasurers who are employed by member schools within the computer consortium. Financial information can be obtained from Ray Burden, who serves as Director; 645 South Main Street; Lima, Ohio 45804.

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (the "Committee"), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven-member board made up of six teachers, two principals, one superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center; 441 East Market Street; Celina, Ohio 45822.

State Support Team Region 6 - The State Support Team Region 6 ("SST6") is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST6 is governed by a board of 52 members made up of the 50 superintendents of the participating School Districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Marlene Graf, Director; 1045 Dearbaugh; Suite #1; Wapakoneta, Ohio 45895.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (the "SERRC") is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center; 1 Court House Square; Suite 50; Kenton, Ohio 43326-2385.

Northwestern Ohio Educational Research Council, Inc. - The Northwestern Ohio Educational Research Council, Inc. (the "NOERC") is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc.; 441 E. Market St.; Celina, Ohio 45822.

Metropolitan Educational Council (Purchasing Consortium) - The Metropolitan Educational Council (the "MEC") is a consortium of school districts and related agencies in the greater central Ohio area. The primary mission of the council shall be to contribute to the educational services made available to the youth and adults by the cooperative action of the membership. MEC shall identify, plan and provide to its members services that can be more effectively achieved by cooperative endeavors.

The governing board consists of a superintendent, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. The MEC serves a twenty-seven county area in central Ohio and has 151 members. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Metropolitan Educational Council; 2100 Citygate Dr.; Columbus, OH 43219.

13. GROUP PURCHASING POOL

A. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council ("SOEPC") is a purchasing council made up of 118 public school districts in 17 counties in southwestern Ohio. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. GROUP PURCHASING POOL (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary from withdrawal from the group. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swick, who serves as director, 303 Corporate Center; Suite 209; Vandalia, Ohio 45377.

B. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

C. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (the "Trust") is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Steven Dandurand, Corporate One Benefits; 220 Perry Street; Suite 200; Fostoria, Ohio 44830

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. ADVANCES

During the fiscal year ended June 30, 2013, the following advances in and out occurred:

	Advances In	Advances Out
Fund:		
General	\$19,500	\$43,300
Other Governmental Funds:		
Food Service	27,500	
Athletics		8,000
Title I	15,800	11,500
	\$62,800	\$62,800

Advances were made at the end of fiscal year 2013 from the General Fund to various Other Governmental Funds to cover operations or expenditures made while awaiting reimbursement by granting authorities. The General Fund received \$19,500 which was repayment of prior year advances.

16. BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance – budget and actual (cash basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

	Net Change in Fund Balance
	General Fund
Budget Basis	(\$9,673)
Funds budgeted elsewhere**	10,657
Adjustment for encumbrances	62,509
Cash basis	\$63,493

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes adult education, special rotary, public school support and unclaimed monies funds.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2013, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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Dave Yost • Auditor of State

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

St. Henry Consolidated Local School District
Mercer County
391 E. Columbus Street
St. Henry, Ohio 45883

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, (the School District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 3, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 3, 2014

**ST HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014 and 2013**

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

FINDING NUMBER 2014-001

Not Reporting in Accordance with GAAP/Noncompliance

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

Ohio Adm. Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2014 and 2013 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principle. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities and the disclosures required to accurately and completely present the School District's financial condition.

Official's Response:

On May 9, 2005, the School District Board passed a resolution stating due to audit cost concerns the School District would no longer prepare GAAP financial statements.

**ST HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 117.38 & Ohio Admin. Code § 117-2-03(B) – Failed to prepared financial statements in accordance with GAAP	No	Repeated as Finding 2014-001



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

St. Henry Consolidated Local School District
Mercer County
391 E. Columbus Street
St. Henry, Ohio 45883

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether St. Henry Consolidated Local School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 18, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 3, 2014

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ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT

MERCER 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
JANUARY 8, 2015**