



Mary Taylor, CPA  
Auditor of State



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

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ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, Ohio (the District), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, Ohio, as of June 30, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 30, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(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, 2009 and June 30, 2008. 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 2009 and 2008 are as follows:

- In 2009, General Receipts accounted for \$8,327,304, or 82% of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,786,104 or 18% of total receipts of \$10,113,408. In 2008, General Receipts accounted for \$8,356,978, or 83% of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,725,577 or 17% of total receipts of \$10,082,555.
- Total program disbursements in 2009 were \$10,150,237. Total program disbursements in 2008 were \$9,975,375.
- In 2009, net assets decreased in total, \$37,829. In 2008, net assets increased in total, \$107,480.

**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 assets and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting the funds 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 is by far the most significant fund.

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The School District has elected to present its financial statements on a 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 assets will be cash and cash equivalents and investments. 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, 2009 AND 2008  
(UNAUDITED)  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets 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 2009 and 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets 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 Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, 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 13 and 19. 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**

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities, reported in agency funds, include various student organizations such as Student Council and Future Teachers of America. The School District's fiduciary activities are reported in the Statement of Fiduciary Net Assets on page 16 and 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(UNAUDITED)  
(Continued)**

**The School District as a Whole**

This year's financial statements were prepared on the cash basis utilizing the GASB 34 format.

Table 1 provides a summary of the School District's net assets for 2009, 2008 and 2007:

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$4,567,118	\$4,604,947	\$4,497,467
Total Assets	<u>4,567,118</u>	<u>4,604,947</u>	<u>4,497,467</u>
<b>Net Assets:</b>			
<b>Restricted for:</b>			
Debt Service	271,177	218,070	185,795
Capital Outlay	935,322	1,131,131	1,015,733
Other Purposes	309,599	292,032	214,706
Set Asides	32,263	19,755	29,223
Unrestricted	<u>3,018,757</u>	<u>2,943,959</u>	<u>3,052,010</u>
Total Net Assets	<u>\$4,567,118</u>	<u>\$4,604,947</u>	<u>\$4,497,467</u>

Table 2 shows the changes in net assets for fiscal year 2009, 2008 and 2007 comparatively. This table enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$ 660,852	\$ 654,442	\$ 704,865
Operating Grants	1,089,297	1,055,158	903,300
Capital Grants	35,955	15,977	55,792
<b>General Receipts:</b>			
Property Taxes	2,722,290	2,664,291	2,674,289
Proceeds from Refunding Bonds			1,514,998
Premium from Refunding Bonds			197,121
Payments in Lieu of Taxes	37,913	42,013	31,420
Grants and Entitlements	5,492,023	5,465,734	5,430,484
Proceeds from the Sale of Assets		3,238	13,767
Interest	55,336	172,361	207,752
Miscellaneous	19,742	9,341	33,904
Total Receipts	<u>10,113,408</u>	<u>10,082,555</u>	<u>11,767,692</u>

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(UNAUDITED)  
(Continued)**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Disbursements:</b>			
<b>Program Disbursements:</b>			
Instruction	6,224,454	6,046,290	5,671,805
Support Services	2,581,290	2,426,292	2,404,702
Non-Instructional Services	343,836	317,536	268,571
Extracurricular	569,890	566,624	615,266
Capital Outlay	59,414	243,419	244,311
Debt Service	371,353	375,214	2,069,062
Total Disbursements	<u>10,150,237</u>	<u>9,975,375</u>	<u>11,273,717</u>
Advances In	(1,000)	300	(1,000)
(Decrease)/Increase in Net Assets	<u>(\$ 37,829)</u>	<u>\$ 107,480</u>	<u>\$ 492,975</u>

**Governmental Activities**

Several revenue sources fund the School District's governmental activities with intergovernmental receipts being the largest contributor. Intergovernmental receipts generated approximately \$5.5 million in fiscal year 2009 and \$5.4 million in fiscal year 2008. Property tax levies were also a large revenue generator with approximately \$2.7 million in fiscal year 2009 and \$2.6 million in fiscal year 2008. With the combination of taxes and intergovernmental receipts funding over 81% of the expenses in governmental activities in fiscal year 2009 and 2008, the School District monitors both of these revenue sources very closely for fluctuations. In fiscal year 2008, the School District total receipts decreased 14% from the previous year due largely to the issue of refunding bonds in fiscal year 2007. Additionally, decreased interest earnings and less proceeds from the sales of School District capital assets, contributed to the overall decrease in total receipts for fiscal year 2008.

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.

**(Table 3)  
Governmental Activities**

	<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Total Cost Of Service</u>	<u>Net Cost Of Service</u>	<u>Total Cost Of Service</u>	<u>Net Cost Of Service</u>	<u>Total Cost</u>	<u>Net Cost</u>
Instruction	\$ 6,224,454	\$5,188,692	\$6,046,290	\$5,145,126	\$5,671,805	\$4,880,997
<b>Support Services:</b>						
Pupil and Instructional Staff Board of Education, Admin. And Fiscal	624,513	591,138	587,802	566,840	553,279	551,280
Operation and Maintenance Of Plant	951,881	945,918	948,954	937,134	886,296	881,296
Pupil Transportation Central	653,531	653,531	675,873	661,924	618,197	614,505
Operation of Non-Instructional Svcs.	349,617	295,347	211,421	182,893	345,535	322,722
Extracurricular Activities	1,748	1,748	2,242	2,242	1,395	1,395
Capital Outlay	343,836	26,345	317,536	14,767	268,571	(33,554)
Debt Service	569,890	358,622	566,624	230,274	615,266	237,570
Total	59,414	6,256	243,419	200,987	244,311	147,683
	371,353	296,536	375,214	307,611	2,069,062	2,005,866
<b>Total</b>	<u>\$10,150,237</u>	<u>\$8,364,133</u>	<u>\$9,975,375</u>	<u>\$8,249,798</u>	<u>\$11,273,717</u>	<u>\$9,609,760</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(UNAUDITED)  
(Continued)**

In fiscal year 2009 and 2008, instruction and student support services comprise 67% of governmental program expenses. Board of Education, fiscal and administration charges were 9% in fiscal year 2009 and 10% in fiscal year 2008. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the School District. Pupil transportation and the operation/maintenance of facilities accounts for 10% of governmental program expenses in fiscal year 2009 and 9% in fiscal year 2008.

**The School District's Funds**

For fiscal year 2009 and 2008, the School District had two major governmental funds: the General Fund and the OSFC (Ohio School Facilities Construction) Building Fund. The assets of these funds comprise \$3,865,178, or 85% of the \$4,567,118 total governmental assets in fiscal year 2009 and \$3,767,508 or 82% of the \$4,604,947 total governmental assets in fiscal year 2008.

**General Fund** – The General Fund cash balance at June 30, 2009 was \$3,063,528, which represents 67% of total governmental fund cash balances. Receipts of the General Fund comprise \$8,409,606 (83 percent) of the total \$10,113,408 governmental funds' receipts and 83% of the total disbursements for the governmental funds. General fund receipts were less than disbursements by \$42,194, indicating that the general fund is in a deficit spending situation. The overall change in the General Fund's cash balance was \$87,306 for fiscal year 2009.

The General Fund cash balance at June 30, 2008 was \$2,976,222, which represents 65% of total governmental fund cash balances. Receipts of the General Fund comprise \$8,409,517 (83%) of the total \$10,079,443 governmental funds' receipts and 85% of the total disbursements for the governmental funds. General fund receipts were less than disbursements by \$20,231, indicating that the general fund is in a deficit spending situation. The overall change in the General Fund's cash balance was (\$30,293) for fiscal year 2008. This change is a result of increases in costs for instruction, support services and capital outlay.

**OSFC Building Fund** – The OSFC Building Fund cash balance at June 30, 2009 was \$801,650, which represents 18% of total governmental fund cash balances. Receipts of the OSFC Building Fund comprise \$10,364 (0.1 percent) of total governmental funds' receipts for fiscal year 2009 and the fund had no disbursements for the fiscal year. The increase in the OSFC Building Fund cash balance was due to not having disbursements during fiscal year 2009.

The OSFC Building Fund cash balance at June 30, 2008 was \$791,286, which represents 17 percent of total governmental fund cash balances. Receipts of the OSFC Building Fund comprise \$31,743 (0.3 percent) of total governmental funds' receipts for fiscal year 2008 and .01 percent of total disbursements. The increase in the OSFC Building Fund cash balance was due to minimal disbursements during fiscal year 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(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 2009 and 2008, the School District did modify 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, fiscal year 2009 budget basis revenue was \$8,409,606 (excluding other financing sources), \$2,106 over the final budget estimates of \$8,407,500. Of the increase in 2009 receipts, most was attributable to slightly increased intergovernmental receipts. Actual disbursements were less than final budgeted disbursements by \$339,538 mainly due to the School District cutting instructional costs.

For the General fund, fiscal year 2008 budget basis revenue was \$8,409,517 (excluding other financing sources), \$8,117 over the final budget estimates of \$8,401,400. Of the increase in 2008 receipts, most was attributable to slightly increased intergovernmental receipts. Actual disbursements were less than final budgeted disbursements by \$92,708 mainly due to the School District cutting instructional costs.

**Set Asides and Debt Administration**

**Set Aside**

Ohio law required school districts to set aside a determined amount of certain receipts for capital improvements and the same amount for textbooks (see Note 12). For fiscal year 2009, this amounted to \$170,977 for each set aside. The School District has qualifying disbursements and/or offsets for capital acquisition totaling \$124,943 for fiscal year 2009. For the textbooks, the School District disbursed \$142,483 in fiscal year 2009, with an excess at June 30, 2009 scheduled to be carried forward into the 2010 fiscal year to offset future reserve requirements.

A change in Ohio law required school districts to set aside a determined amount of certain receipts for capital improvements and the same amount for textbooks (see Note 12). For fiscal year 2008, this amounted to \$174,984 for each set aside. The School District has qualifying disbursements and/or offsets for capital acquisition totaling \$294,596 for fiscal year 2008. For the textbooks, the School District disbursed \$216,325 in fiscal year 2008, with an excess at June 30, 2008 scheduled to be carried forward into the 2009 fiscal year to offset future reserve requirements.

**Debt**

During fiscal year 2007, the School District refunded a portion of the 2000 General Obligation bond issue, providing a savings of \$124,856 over the next fifteen years. As of June 30, 2009, the School District had \$3,370,448 in general obligation debt outstanding. See Note 11 for additional details.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(UNAUDITED)  
(Continued)**

**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.

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 and property/liability/fleet insurance premiums.

From a State funding perspective, 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 State has not met the standards of the Ohio Supreme Court in regard to adequate and equitable school funding.

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 \$801,650 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.

The School District refinanced its 2000 School Improvement Bonds totaling \$1,515,000 with School Improvement Refunding Bonds in September 2006. This capital refinancing saved the District approximately \$125,000 throughout the terms of these bonds. The School District continues its efforts to effectively manage its resources.

**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 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 ASSETS - CASH BASIS  
JUNE 30, 2009**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,567,118
Total Assets	<u><u>4,567,118</u></u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Debt Service	271,177
Capital Outlay	935,322
Other Purposes	309,599
Set-asides	32,263
Unrestricted	<u>3,018,757</u>
Total Net Assets	<u><u>\$4,567,118</u></u>

*See accompanying notes and independent accountants' report.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$4,637,409	\$97,375	\$222,139		(\$4,317,895)
Special	1,314,776		447,819		(866,957)
Vocational Education	260,874	106,924	161,505		7,555
Other	11,395				(11,395)
<b>Support Services:</b>					
Pupil	276,262		28,728		(247,534)
Instructional Staff	348,251		4,647		(343,604)
Board of Education	28,664				(28,664)
Administration	700,532		5,000		(695,532)
Fiscal	222,685		963		(221,722)
Operation and Maintenance of Plant	653,531				(653,531)
Pupil Transportation	349,617	18,903	9,776	\$25,591	(295,347)
Central	1,748				(1,748)
<b>Operation of Non-Instructional Services:</b>					
Food Services	343,652	226,382	91,109		(26,161)
Community Services	184				(184)
Extracurricular Activities	569,890	211,268			(358,622)
Capital Outlay	59,414		42,794	10,364	(6,256)
<b>Debt Service:</b>					
Repayment of Principal	230,000		74,817		(155,183)
Interest	141,353				(141,353)
Total Governmental Activities	<u>\$10,150,237</u>	<u>\$660,852</u>	<u>\$1,089,297</u>	<u>\$35,955</u>	<u>(8,364,133)</u>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes	2,246,146
Debt Service	358,116
Capital Improvements	83,517
Building Maintenance	34,511
Payments in Lieu of Taxes	37,913
Grants and Entitlements not Restricted to Specific Programs	5,492,023
Interest	55,336
Miscellaneous	19,742
Total General Receipts	<u>8,327,304</u>
Advances	<u>(1,000)</u>
Change in Net Assets	(37,829)
Net Assets Beginning of Year	<u>4,604,947</u>
Net Assets End of Year	<u><u>\$4,567,118</u></u>

See accompanying notes and independent accountants' report.



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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,031,265	\$801,650	\$701,940	\$4,534,855
Restricted Cash and Cash Equivalents	32,263			32,263
Total Assets	<u>3,063,528</u>	<u>801,650</u>	<u>701,940</u>	<u>4,567,118</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	28,362		150,246	178,608
Bus Purchases	12,508			12,508
Budget Stabilization	19,755			19,755
Unreserved, Board Designated	90,006			90,006
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	2,912,897			2,912,897
Special Revenue Funds			218,128	218,128
Debt Service Funds			271,177	271,177
Capital Projects Funds		801,650	62,389	864,039
Total Fund Balances	<u>\$3,063,528</u>	<u>\$801,650</u>	<u>\$701,940</u>	<u>\$4,567,118</u>

*See accompanying notes and independent accountants' report.*

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Taxes	\$2,246,146		\$476,144	\$2,722,290
Payments in Lieu of Taxes	37,913			37,913
Intergovernmental	5,934,191		642,855	6,577,046
Interest	55,336	\$10,364	1,136	66,836
Tuition and Fees	108,955		625	109,580
Rent	7,323			7,323
Extracurricular Activities			317,567	317,567
Gifts and Donations	10,350			10,350
Food Services			226,382	226,382
Miscellaneous	9,392		28,729	38,121
<b>Total Receipts</b>	<u>8,409,606</u>	<u>10,364</u>	<u>1,693,438</u>	<u>10,113,408</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,415,579		221,830	4,637,409
Special	1,128,342		186,434	1,314,776
Vocational Education	256,874		4,000	260,874
Other	11,395			11,395
<b>Support Services:</b>				
Pupil	270,340		5,922	276,262
Instructional Staff	332,792		15,459	348,251
Board of Education	28,664			28,664
Administration	695,532		5,000	700,532
Fiscal	211,399		11,286	222,685
Operation and Maintenance of Plant	642,247		11,284	653,531
Pupil Transportation	206,218		143,399	349,617
Central	1,748			1,748
Food Services			343,652	343,652
Community Services	184			184
Extracurricular Activities	246,680		323,210	569,890
Capital Outlay	3,806		55,608	59,414
<b>Debt Service:</b>				
Repayment of Principal			230,000	230,000
Interest			141,353	141,353
<b>Total Disbursements</b>	<u>8,451,800</u>	<u>10,364</u>	<u>1,698,437</u>	<u>10,150,237</u>
Excess of Receipts Over (Under) Disbursements	<u>(42,194)</u>	<u>10,364</u>	<u>(4,999)</u>	<u>(36,829)</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	152,200			152,200
Refund of Prior Year Receipts			(152,200)	(152,200)
Advances-In	35,000		52,000	87,000
Advances-Out	(57,700)		(30,300)	(88,000)
<b>Total Other Financing Sources (Uses)</b>	<u>129,500</u>	<u>10,364</u>	<u>(130,500)</u>	<u>(1,000)</u>
Net Change in Fund Balances	87,306	10,364	(135,499)	(37,829)
Fund Balances Beginning of Year	<u>2,976,222</u>	<u>791,286</u>	<u>837,439</u>	<u>4,604,947</u>
Fund Balances End of Year	<u>\$3,063,528</u>	<u>\$801,650</u>	<u>\$701,940</u>	<u>\$4,567,118</u>

See accompanying notes and independent accountants' report.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$2,200,000	\$2,200,000	\$2,246,146	\$46,146
Payments in Lieu of Taxes	37,155	37,155	37,155	
Intergovernmental	5,863,200	5,863,200	5,934,191	70,991
Interest	175,000	175,000	55,336	(119,664)
Tuition and Fees	115,200	115,200	108,955	(6,245)
Rent	2,000	2,000	7,323	5,323
Gifts and Donations	4,000	4,000	10,350	6,350
Miscellaneous	4,845	10,945	10,150	(795)
<b>Total Receipts</b>	<u>8,401,400</u>	<u>8,407,500</u>	<u>8,409,606</u>	<u>2,106</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,624,400	4,658,900	4,442,641	216,259
Special	1,045,100	1,145,700	1,128,342	17,358
Vocational Education	281,200	281,200	256,921	24,279
Other	11,000	11,000	11,395	(395)
<b>Support Services:</b>				
Pupil	275,400	275,400	270,790	4,610
Instructional Staff	329,000	330,500	332,525	(2,025)
Board of Education	38,000	38,000	28,664	9,336
Administration	701,100	701,100	695,566	5,534
Fiscal	214,900	214,900	211,399	3,501
Operation and Maintenance of Plant	675,200	675,200	643,283	31,917
Pupil Transportation	224,300	224,300	206,218	18,082
Central	3,200	3,200	1,748	1,452
Community Services	500	500	184	316
Extracurricular Activities	254,800	254,800	246,680	8,120
<b>Capital Outlay:</b>				
Architecture and Engineering	5,000	5,000	3,806	1,194
<b>Total Disbursements</b>	<u>8,683,100</u>	<u>8,819,700</u>	<u>8,480,162</u>	<u>339,538</u>
Excess of Receipts Over (Under) Disbursements	<u>(281,700)</u>	<u>(412,200)</u>	<u>(70,556)</u>	<u>341,644</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	1,500	1,500		(1,500)
Refund of Prior Year Expenditures			152,200	152,200
Advances-In			35,000	35,000
Advances-Out			(57,700)	(57,700)
<b>Total Other Financing Sources (Uses)</b>	<u>1,500</u>	<u>1,500</u>	<u>129,500</u>	<u>128,000</u>
Net Change in Fund Balance	(280,200)	(410,700)	58,944	469,644
Fund Balance - Beginning of Year	2,936,928	2,936,928	2,936,928	
Prior Year Encumbrances Appropriated	39,294	39,294	39,294	
<b>Fund Balance - End of Year</b>	<u>\$2,696,022</u>	<u>\$2,565,522</u>	<u>\$3,035,166</u>	<u>\$469,644</u>

See accompanying notes and independent accountants' report.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$40,407
<b>Net Assets:</b>	
Held in Trust for Employees	979
Held in Trust for Students	39,428
Total Net Assets	<u>\$40,407</u>

*See accompanying notes and independent accountants' report.*

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,604,947
Total Assets	<u>4,604,947</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	218,070
Capital Outlay	1,131,131
Other Purposes	292,032
Set-asides	19,755
Unrestricted	<u>2,943,959</u>
Total Net Assets	<u>\$4,604,947</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$4,521,661	\$95,274	\$134,338	(\$4,292,049)
Special	1,242,073		511,597	(730,476)
Vocational Education	280,561	565	159,390	(120,606)
Other	1,995			(1,995)
<b>Support Services:</b>				
Pupil	270,979		8,339	(262,640)
Instructional Staff	316,823		12,623	(304,200)
Board of Education	36,440			(36,440)
Administration	676,751		5,000	(671,751)
Fiscal	235,763	4,792		\$2,028
Operation and Maintenance of Plant	675,873			13,949
Pupil Transportation	211,421	15,564	12,964	(182,893)
Central	2,242			(2,242)
<b>Operation of Non-Instructional Services:</b>				
Food Services	317,148	221,535	81,234	(14,379)
Community Services	388			(388)
Extracurricular Activities	566,624	316,712	19,638	(230,274)
Capital Outlay	243,419		42,432	(200,987)
<b>Debt Service:</b>				
Repayment of Principal	225,000		67,603	(157,397)
Interest	150,214			(150,214)
<b>Total Governmental Activities</b>	<u>\$9,975,375</u>	<u>\$654,442</u>	<u>\$1,055,158</u>	<u>\$15,977</u>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes	2,196,408
Debt Service	348,180
Capital Improvements	84,702
Building Maintenance	35,001
Payments in Lieu of Taxes	42,013
Grants and Entitlements not Restricted to Specific Programs	5,465,734
Proceeds from the Sale of Assets	3,238
Interest	172,361
Miscellaneous	9,341
<b>Total General Receipts</b>	<u>8,356,978</u>
Advances	300
Change in Net Assets	107,480
Net Assets Beginning of Year	<u>4,497,467</u>
<b>Net Assets End of Year</b>	<u>\$4,604,947</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,943,959	\$791,286	\$837,439	\$4,572,684
Restricted Cash and Cash Equivalents	32,263			32,263
Total Assets	<u>2,976,222</u>	<u>791,286</u>	<u>837,439</u>	<u>4,604,947</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	39,294		98,883	138,177
Bus Purchases	12,508			12,508
Budget Stabilization	19,755			19,755
Unreserved, Board Designated	90,006			90,006
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	2,814,659			2,814,659
Special Revenue Funds			180,641	180,641
Debt Service Funds			218,070	218,070
Capital Projects Funds		791,286	339,845	1,131,131
Total Fund Balances	<u>\$2,976,222</u>	<u>\$791,286</u>	<u>\$837,439</u>	<u>\$4,604,947</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Taxes	\$2,196,408		\$467,881	\$2,664,289
Payments in Lieu of Taxes	42,013			42,013
Intergovernmental	5,873,636		593,169	6,466,805
Interest	172,361	\$31,743	4,343	208,447
Tuition and Fees	110,839		565	111,404
Rent	4,792			4,792
Extracurricular Activities			316,712	316,712
Gifts and Donations	4,600			4,600
Food Services			221,535	221,535
Miscellaneous	4,868		33,978	38,846
Total Receipts	<u>8,409,517</u>	<u>31,743</u>	<u>1,638,183</u>	<u>10,079,443</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,380,765		140,896	4,521,661
Special	1,001,527		240,546	1,242,073
Vocational Education	276,561		4,000	280,561
Other	1,995			1,995
<b>Support Services:</b>				
Pupil	262,412		8,567	270,979
Instructional Staff	300,989		15,834	316,823
Board of Education	36,440			36,440
Administration	671,751		5,000	676,751
Fiscal	224,604		11,159	235,763
Operation and Maintenance of Plant	662,303		13,570	675,873
Pupil Transportation	211,421			211,421
Central	2,242			2,242
<b>Operation of Non-Instructional Services:</b>				
Food Services			317,148	317,148
Community Services	388			388
Extracurricular Activities	233,026		333,598	566,624
Capital Outlay	163,324	1,425	78,670	243,419
<b>Debt Service:</b>				
Repayment of Principal			225,000	225,000
Interest			150,214	150,214
Total Disbursements	<u>8,429,748</u>	<u>1,425</u>	<u>1,544,202</u>	<u>9,975,375</u>
Excess of Receipts Over (Under) Disbursements	<u>(20,231)</u>	<u>30,318</u>	<u>93,981</u>	<u>104,068</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	3,238			3,238
Refund of Prior Year Expenditures			(126)	(126)
Advances-In	21,700		30,300	52,000
Advances-Out	(35,000)		(16,700)	(51,700)
Total Other Financing Sources (Uses)	<u>(10,062)</u>		<u>13,474</u>	<u>3,412</u>
Net Change in Fund Balances	(30,293)	30,318	107,455	107,480
Fund Balances Beginning of Year	<u>3,006,515</u>	<u>760,968</u>	<u>729,984</u>	<u>4,497,467</u>
Fund Balances End of Year	<u>\$2,976,222</u>	<u>\$791,286</u>	<u>\$837,439</u>	<u>\$4,604,947</u>

See accompanying notes to the financial statements.



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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$2,200,000	\$2,200,000	\$2,196,408	(\$3,592)
Payments in Lieu of Taxes		42,000	42,013	13
Intergovernmental	5,844,200	5,863,200	5,873,636	10,436
Interest	190,000	175,000	172,361	(2,639)
Tuition and Fees	110,200	115,200	110,839	(4,361)
Rent	2,000	2,000	4,792	2,792
Gifts and Donations	4,000	4,000	4,600	600
Miscellaneous	27,000		4,868	4,868
<b>Total Receipts</b>	<b><u>8,377,400</u></b>	<b><u>8,401,400</u></b>	<b><u>8,409,517</u></b>	<b><u>8,117</u></b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,350,634	4,423,550	4,401,213	22,337
Special	1,063,400	1,063,400	1,003,539	59,861
Vocational Education	280,200	280,200	277,725	2,475
Other	3,000	13,000	11,736	1,264
<b>Support Services:</b>				
Pupil	270,900	270,900	262,412	8,488
Instructional Staff	297,200	299,600	304,541	(4,941)
Board of Education	38,000	38,000	36,832	1,168
Administration	662,600	662,600	672,794	(10,194)
Fiscal	221,700	221,700	224,604	(2,904)
Operation and Maintenance of Plant	636,000	636,000	663,138	(27,138)
Pupil Transportation	314,000	249,000	211,528	37,472
Central	2,900	2,900	2,242	658
Community Services	800	800	388	412
Extracurricular Activities	235,100	235,100	233,026	2,074
<b>Capital Outlay:</b>				
Site Acquisition Services		150,000	154,805	(4,805)
Architecture and Engineering	15,000	15,000	8,519	6,481
<b>Total Disbursements</b>	<b><u>8,391,434</u></b>	<b><u>8,561,750</u></b>	<b><u>8,469,042</u></b>	<b><u>92,708</u></b>
Excess of Receipts Over (Under) Disbursements	<u>(14,034)</u>	<u>(160,350)</u>	<u>(59,525)</u>	<u>100,825</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	1,500	1,500	3,238	1,738
Advances-In			21,700	21,700
Advances-Out			(35,000)	(35,000)
<b>Total Other Financing Sources (Uses)</b>	<b><u>1,500</u></b>	<b><u>1,500</u></b>	<b><u>(10,062)</u></b>	<b><u>(11,562)</u></b>
Net Change in Fund Balance	(12,534)	(158,850)	(69,587)	89,263
Fund Balance - Beginning of Year	2,887,557	2,887,557	2,887,557	
Prior Year Encumbrances Appropriated	<u>118,958</u>	<u>118,958</u>	<u>118,958</u>	
Fund Balance - End of Year	<b><u>\$2,993,981</u></b>	<b><u>\$2,847,665</u></b>	<b><u>\$2,936,928</u></b>	<b><u>\$89,263</u></b>

See accompanying notes to the financial statements.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	<u>\$34,042</u>
<b>Net Assets:</b>	
Held in Trust for Employees	89
Held in Trust for Students	<u>33,953</u>
Total Net Assets	<u>\$34,042</u>

*See accompanying notes to the financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008**

**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 as authorized by state statute and/or federal guidelines.

The School District is located in Mercer and Darke Counties. It is staffed by 39 classified employees, 78 certified teaching personnel, and seven administrative employees who provide services to 1,052 students. The School District currently operates three instructional buildings.

The reporting entity is comprised of the primary government and other organizations that are included to insure 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. There are no component units.

The School District is associated with six organizations, which are defined as jointly governed organizations, and two 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 Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis of 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 accounting basis. 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.

As a result of the use of this 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(Continued)**

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

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 Assets 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 Assets 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 or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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

**B. Basis of Presentation - Fund Accounting (Continued)**

The funds of the financial reporting entity are described below:

**1. Governmental Funds/Governmental Activities**

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 2009 and 2008:

**General Fund** - The General Fund is the primary operating fund of the School District and 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.

**2. Fiduciary Fund**

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 fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency funds include various student managed activities and an employee paid portion 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 one-digit object 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(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 one-digit 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, or alter total function appropriations within a fund, or alter object appropriations within functions, 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(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 yearend are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary 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."

For purposes of financial reporting, 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 initial maturity of more than 3 months that were not purchased from the pool are reported as investments.

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 2009 were \$55,336, of which \$18,214 was assigned from other funds. Total interest receipts credited to the General Fund during fiscal year 2008 were \$172,361, of which \$60,962 was assigned from other funds.

**E. Restricted Assets**

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

Restricted assets in the General Fund include unexpended receipts for bus purchase and budget stabilization.

**F. 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.

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(Continued)**

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

**G. 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.

**H. 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.

**I. 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.

**J. 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.

**K. 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.

**L. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**M. Equity Classifications**

**1. Government-Wide Statements**

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

- a. **Restricted net assets** – Consists of net assets 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.



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

- b. Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

Net assets 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 assets are available. At June 30, 2009 and 2008, the School District had no funds restricted by enabling legislation.

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance. The School District records reservations for portions of fund balance, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, bus purchases, and budget stabilization. The designation for budget stabilization represents revenues set aside that exceeds statutory required amounts.

**N. 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. Operating Receipts and Disbursements**

Operating receipts and disbursements for governmental funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

**3. IMPLEMENTATION OF NEW ACCOUNTING POLICIES**

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**3. IMPLEMENTATION OF NEW ACCOUNTING POLICIES (Continued)**

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement [No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans"](#), and GASB Statement [No. 27, "Accounting for Pensions by State and Local Governmental Employers"](#), to conform with requirements of GASB Statement [No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"](#), and GASB Statement [No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"](#).

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**4. COMPLIANCE**

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

**5. 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 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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);
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.

As of June 30, 2009 and 2008, the School District had \$6,510 undeposited cash on hand included in pooled cash and cash equivalents.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At the end of fiscal year 2009, \$4,500,655 of the School District's bank balance of \$4,750,655 was exposed to custodial credit risk because it was uninsured and uncollateralized. At the end of fiscal year 2008, \$4,694,054 of the School District's bank balances of \$4,794,054 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**B. Interest Rate Risk**

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

**C. Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

**D. Concentration of Credit Risk**

The School District policy places no limit on the amount the School District may invest in any one issuer. It is required that the School District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. One hundred percent of the School District's investments are in repurchase agreements. These investments are available to the School District as needed.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**6. PROPERTY TAXES**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax distributions are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of the prior December 31. For 2008, tangible personal property was assessed at 6.25 percent for property. This percentage was reduced to zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2009 taxes were collected are:

	<b>2008 Second-Half Collections</b>		<b>2009 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$79,875,520	92%	\$88,145,680	97%
Public Utility	2,332,470	3	2,522,690	3
Tangible Personal Property	3,937,210	5		
<b>Total Assessed Value</b>	<b>\$86,145,200</b>	<b>100%</b>	<b>\$90,668,370</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$38.81		\$38.81	

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2008 taxes were collected are:

	<b>2007 Second-Half Collections</b>		<b>2008 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$77,473,400	90%	\$79,875,520	92%
Public Utility	2,662,080	3	2,332,470	3
Tangible Personal Property	5,762,950	7	3,937,210	5
Total Assessed Value	<u>\$85,898,430</u>	<u>100%</u>	<u>\$86,145,200</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$38.81		\$38.81	

**7. 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 fiscal years 2009 and 2008 amounted to \$37,913 and \$42,013, respectively.

**8. 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 2009 and 2008, the School District contracted with Schools of Ohio Risk Sharing Authority and Selective Insurance Company of South Carolina respectively, for the following insurance coverage:

	<u>2008</u>	<u>2007</u>
Buildings and Contents - replacement cost	40,302,150	\$40,302,150
Automobile Liability	6,000,000	1,000,000
Underinsured Motorist	2,000,000	1,000,000
General Liability		
Per Occurrence	6,000,000	1,000,000
Aggregate	8,000,000	5,000,000
Legal Liability	6,000,000	1,000,000
Umbrella Liability		5,000,000

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP.

Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**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.

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(Continued)**

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

**B. State Teachers Retirement System**

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

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

**Funding Policy** - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$575,314, \$544,371, and \$530,961 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP for fiscal year 2009 \$18,570 made by the plan members. Contributions to the DCP for fiscal year 2008 was \$593 made by the School District and \$11,589 made by the plan members.

**C. School Employees Retirement System**

The 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](http://www.ohsers.org) under Employers/Audit Resources.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**Funding Policy** - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$134,052, \$129,285, and \$122,731, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal year 2008 and 2007.

**D. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2009, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POST EMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$44,255, \$41,875, and \$40,843 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**B. State Employees Retirement System**

**1. Medicare Part B Plan**

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008 (the latest information available), the actuarially required allocation was 0.66 percent. The School District's contributions for the fiscal years ended June 30, 2009, 2008 and 2007 were \$6,320, \$6,095 and \$5,961, which equaled the required contributions each year.

**2. Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. 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 provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The District's contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$40,024, \$38,601 and \$29,105 respectively.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for healthcare coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The 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](http://www.ohsers.org) under Employers/Audit Resources.

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

<u>General Long-Term Obligations</u>	<u>Interest Rates</u>	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>	<u>Due Within One Year</u>
2004 School Improvement						
Refunding Bonds	2.3-5.5%	\$1,495,000		\$110,000	\$1,385,000	\$115,000
Capital Appreciation Bonds		9,999			9,999	
Accretion on Capital Appreciation Bonds		40,583	\$21,451		62,034	
2000 School Improvement						
Serial and Term Bonds	4.4-5.75%	315,000		100,000	215,000	105,000
Capital Appreciation Bonds		40,786			40,786	
Accretion on Capital Appreciation Bonds		147,790	10,947		158,737	
2006 School Improvement						
Refunding Current Interest Bonds	3.75-5.75%	1,160,000		20,000	1,140,000	20,000
Capital Appreciation Bonds	4.18-4.30%	314,998			314,998	
Accretion on Capital Appreciation Bonds		27,757	16,137		43,894	
Total		<u>\$3,551,913</u>	<u>\$48,535</u>	<u>\$230,000</u>	<u>\$3,370,448</u>	<u>\$240,000</u>

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

<u>General Long-Term Obligations</u>	<u>Interest Rates</u>	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Due Within One Year</u>
2004 School Improvement						
Refunding Bonds	2.3-5.5%	\$1,605,000		\$110,000	\$1,495,000	\$110,000
Capital Appreciation Bonds		9,999			9,999	
Accretion on Capital Appreciation Bonds		24,539	\$16,044		40,583	
2000 School Improvement						
Serial and Term Bonds	4.4-5.75%	410,000		95,000	315,000	100,000
Capital Appreciation Bonds		40,786			40,786	
Accretion on Capital Appreciation Bonds		137,443	10,347		147,790	
2006 School Improvement						
Refunding Current Interest Bonds	3.75-5.75%	1,180,000		20,000	1,160,000	20,000
Capital Appreciation Bonds	4.18-4.30%	314,998			314,998	
Accretion on Capital Appreciation Bonds		12,345	15,412		27,757	
Total		<u>\$3,735,110</u>	<u>\$41,803</u>	<u>\$225,000</u>	<u>\$3,551,913</u>	<u>\$230,000</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**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 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 2009, \$16,137 was accreted for total bond value of \$358,892 as of June 30, 2009.

**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 are not subject to redemption prior to maturity. The maturity amount of the bonds is \$135,000. For fiscal year 2009, \$21,451 was accreted for total bond value of \$72,033 as of June 30, 2009.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**11. LONG-TERM OBLIGATIONS (Continued)**

**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 are being retired from the Debt Service fund.

The term bonds maturing on 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, on December 1, 2013, and each December 1 thereafter. Unless previously redeemed, the remaining principal amount of \$190,000 will mature at stated maturity on December 1, 2022.

The term bonds starting maturing on December 1, 2022, 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 starting on December 1, 2010, at 101 percent of the redemption prices plus accrued interest to the redemption date and at 100% starting on December 1, 2011 and thereafter.

The capital appreciation bonds will mature in fiscal years 2012 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$235,000. For fiscal year 2009, \$10,947 was accreted for total bond value of \$199,523 as of June 30, 2009.

The School District's overall debt margin was \$4,653,799 with an unvoted debt margin of \$86,145 at June 30, 2009.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009, were as follows:

Fiscal Year June 30	2000 General Obligation		2004 General Obligation		2006 General Obligation		Total Interest/ Accretion	Total
	Serial And Term Bonds	Capital Appreciation Bonds	Serial And Term Bonds	Capital Appreciation Bonds	Serial And Term Bonds	Capital Appreciation Bonds		
2010	\$105,000		\$ 115,000		\$ 20,000		\$ 131,830	\$ 371,830
2011	110,000		125,000		20,000		121,460	376,460
2012		\$22,296	125,000		20,000		206,179	373,475
2013		18,490	135,000		25,000		209,422	387,912
2014				\$9,999		\$104,051	270,863	384,913
2015-2019			735,000		450,000	210,947	502,327	1,898,274
2020-2023			150,000		605,000		66,282	821,282
	<u>\$215,000</u>	<u>\$40,786</u>	<u>\$1,385,000</u>	<u>\$9,999</u>	<u>\$1,140,000</u>	<u>\$314,998</u>	<u>\$1,508,363</u>	<u>\$4,614,146</u>

In fiscal year 2000, the School District was awarded \$15,057,587 for improvements to its facilities under the State's "Classroom Facilities Program". The School District began receiving these funds in fiscal year 2000. Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds remaining from the issuance of the bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. 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 purchase of textbooks and other instructional materials, and an equal amount 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 2009 and 2008, 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 textbooks, capital improvements, and budget stabilization during fiscal year 2009 and 2008:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization</u>
Balance at 6/30/2008	(\$247,653)	(\$2,420,169)	\$19,755
Required Set-Aside	170,977	170,977	
Qualifying Disbursements	(142,483)	(6,915)	
Current Year Offsets		(118,028)	
Total	<u>(219,159)</u>	<u>(2,374,135)</u>	<u>19,755</u>
Balance Carry forward to FY10	<u>(\$219,159)</u>		<u>\$19,755</u>
Offsets Available for Carry forward to FY10		<u>(\$2,374,135)</u>	
	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization</u>
Balance at 6/30/2007	(\$206,222)	(\$2,300,467)	\$19,755
Required Set-Aside	174,894	174,894	
Current Year Offsets		(119,702)	
Qualifying Disbursements	(216,325)	(174,894)	
Total	<u>(247,653)</u>	<u>(2,420,169)</u>	<u>19,755</u>
Balance Carry forward to FY09	<u>(\$247,653)</u>		<u>\$19,755</u>
Offsets Available for Carry forward to FY09		<u>(\$2,420,169)</u>	

The School District had authorized offsets and qualifying expenditures during the fiscal year that reduced the textbook set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. For capital improvements, only the extra amount, which was a result of capital expenditures from bond proceeds, can be used to reduce the set-aside requirements of future years.

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**13. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (the "NOACSC"), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2009 and 2008, the School District paid \$11,400 and \$10,794 respectively, to NOACSC for various services. 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, at 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

**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.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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.

**14. GROUP PURCHASING POOL**

**Ohio School Boards Association Workers' Compensation Group Rating Program (OSBA)**

The School District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the Plan.

**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 Jim Mauntler; Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.



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**15. ADVANCES**

During the year ended June 30, 2009, the following advances in and out occurred:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$35,000	\$57,700
<b>All Other Governmental:</b>		
Honda Matching Funds Grant	5,400	
Special Rotary		
Athletic Fund	9,000	2,100
Vo. Ag. Fifth Quarter Grant	3,600	
Project Lead the Way Grant		
Stem Grant	14,800	22,500
PLTW Gateway Summer Academy	1,000	600
Migrant Education Grant		
Title I	4,300	1,800
Title V	13,700	2,900
Drug Free Schools Grant		400
Learn and Serve Grant	200	
Total Governmental	<u>87,000</u>	<u>88,000</u>
<b>Agency:</b>		
Employee Paid Portion of Insurance	5,700	4,700
Total of All	<u>\$92,700</u>	<u>\$92,700</u>

A short term loan was made during fiscal year 2009 from the General Fund to cover expenditures made awaiting reimbursement by granting authorities. The General Fund received \$35,000, which was repayment from the prior year.

During the year ended June 30, 2008, the following advances in and out occurred:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$21,700	\$35,000
<b>All Other Governmental:</b>		
Special Rotary		1,800
Athletic Fund	2,100	4,500
Vo. Ag. Fifth Quarter Grant		3,600
Project Lead the Way Grant		2,700
Stem Grant	22,500	
PLTW Gateway Summer Academy	600	
Migrant Education Grant		500
Title I	1,800	
Title V	2,900	
Drug Free Schools Grant	400	
Title IIA		3,600
Total Governmental	<u>52,000</u>	<u>51,700</u>
<b>Agency:</b>		
Employee Paid Portion of Insurance	4,700	5,000
Total of All	<u>\$56,700</u>	<u>\$56,700</u>

A short term loan was made during fiscal year 2008 from the General Fund to cover expenditures made awaiting reimbursement by granting authorities. The General Fund received \$21,700 which was repayment from the prior year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND 2008  
(Continued)**

**16. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009 or 2008.

**B. Litigation**

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



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 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 District) as of and for the year ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated November 30, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated November 30, 2009.

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

We intend this report solely for the information and use of the audit committee, management, board of education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 30, 2009

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

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** states 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03(B)** requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements for fiscal 2009 and 2008 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**Officials 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.

**FINDING NUMBER 2009-002**

**Finding Repaid Under Audit-Choir Fundraiser**

St Henry Local School District's Choir held a fundraiser selling flowers from Nature's Green Nursery. Per the District's records, the Choir sold 136 hanging baskets and 170 flats of flowers, but was billed for 186 hanging baskets and 219 flats of flowers, which resulted in the District being overbilled for 50 hanging baskets and 49 flats of flowers and an overpayment to Nature's Green Nursery of \$945.

In accordance with the foregoing facts, and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Nature's Green Nursery in the amount of \$945, and in favor of the St. Henry Local School District's Special Revenue Choir Fund (300-9470).

**Officials Response:**

Upon notification of the error by the Auditor of State's office, the school notified the Nature's Green Nursery. They repaid the school \$945 on 8/26/09 per receipt #13794.

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

**SCHEDULE OF PRIOR AUDIT FINDING  
JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	ORC Sec. 117.38 & OAC Sec. 117-2-03 (B) – Failed to prepare financial statements in accordance with Generally Accepted Accounting Principles	No	See Finding #2009-001

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# Mary Taylor, CPA

Auditor of State

## Independent Accountant's Report on Applying Agreed-Upon Procedures

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

1. We noted the Board adopted an anti-harassment policy at its meeting on September 13, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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.



**Mary Taylor, CPA**  
Auditor of State

November 30, 2009



**Mary Taylor, CPA**  
Auditor of State

**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 5, 2010**