



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

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

St. Henry Consolidated Local School District
Mercer County
371 East Columbus Street
St. Henry, OH 45883

To the Board of Education:

We have audited the accompanying general-purpose financial statements of St. Henry Consolidated Local School District (the district), Mercer County, as of and for the years ended June 30, 2001 and June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001 and June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Statements No. 33 and No. 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

March 22, 2002

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUN 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,869,659	\$137,843	\$316,824	\$9,897,145
Cash and Cash Equivalents with Fiscal Agent			5,000	
Receivables:				
Property Taxes	1,684,754	34,354	344,112	1,031
Accounts	7,124	2,498		50
Intergovernmental	455	2,717		3,824,341
Accrued Interest				6,437
Interfund	1,400			
Prepaid Items	8,935			4,305
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,986			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>3,597,313</u>	<u>177,412</u>	<u>665,936</u>	<u>13,733,309</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	21,942	6,097		7,356
Contracts Payable				1,423,758
Accrued Wages and Benefits	732,148	13,500		
Compensated Absences Payable	1,518			
Intergovernmental Payable	123,512			
Interfund Payable				
Retainage Payable				171,762
Deferred Revenue	1,673,370	34,142	341,996	3,820,183
Due to Students				
Matured Bonds Payable			5,000	
General Obligation Bonds Payable				
Total Liabilities	<u>2,552,490</u>	<u>53,739</u>	<u>346,996</u>	<u>5,423,059</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	11,384	212	2,116	510
Reserved for Budget Stabilization	19,755			
Reserved for Bus Purchase	5,231			
Reserved for Encumbrances	113,446	32,770		10,471,823
Unreserved (Deficit)	895,007	90,691	316,824	(2,162,083)
Total Fund Equity and Other Credits	<u>1,044,823</u>	<u>123,673</u>	<u>318,940</u>	<u>8,310,250</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$3,597,313</u>	<u>\$177,412</u>	<u>\$665,936</u>	<u>\$13,733,309</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$34,544	\$23,331			\$12,279,346
				5,000
				2,064,251
156				9,828
				3,827,513
				6,437
				1,400
				13,240
5,099				5,099
640				640
				24,986
42,713		17,706,386		17,749,099
			318,940	318,940
			4,819,308	4,819,308
<u>83,152</u>	<u>23,331</u>	<u>17,706,386</u>	<u>5,138,248</u>	<u>41,125,087</u>
3,918				39,313
				1,423,758
10,802				756,450
5,056			444,962	451,536
10,430			46,252	180,194
1,400				1,400
				171,762
3,673				5,873,364
	22,332			22,332
				5,000
			4,647,034	4,647,034
<u>35,279</u>	<u>22,332</u>		<u>5,138,248</u>	<u>13,572,143</u>
		17,706,386		17,706,386
47,873				47,873
				14,222
				19,755
				5,231
				10,618,039
	999			(858,562)
<u>47,873</u>	<u>999</u>	<u>17,706,386</u>		<u>27,552,944</u>
<u>\$83,152</u>	<u>\$23,331</u>	<u>\$17,706,386</u>	<u>\$5,138,248</u>	<u>\$41,125,087</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Property Taxes	\$1,721,163	\$31,109	\$338,213	\$76,877		\$2,167,362
Payment in Lieu of Taxes	25,780					25,780
Intergovernmental	4,299,851	286,077	42,815	10,811,282		15,440,025
Interest	160,071		1,680	204,401		366,152
Tuition and Fees	83,877					83,877
Extracurricular Activities	153,409	190,565				343,974
Gifts and Donations	6,300	8,500				14,800
Miscellaneous	103,692	11,683		50		115,425
Total Revenues	<u>6,554,143</u>	<u>527,934</u>	<u>382,708</u>	<u>11,092,610</u>		<u>18,557,395</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,578,847	215,260				3,794,107
Special	614,785	69,590				684,375
Vocational	130,875					130,875
Other	3,142					3,142
Support Services:						
Pupils	174,493	6,248				180,741
Instructional Staff	376,781	4,673				381,454
Board of Education	20,603			2,165		22,768
Administration	481,400					481,400
Fiscal	156,329	711	7,763	1,784		166,587
Operation and Maintenance of Plant	450,530	4,063				454,593
Pupil Transportation	207,078					207,078
Central	1,937					1,937
Non-Instructional Services	1,673					1,673
Extracurricular Activities	321,936	172,047				493,983
Capital Outlay	14,412	5,035		5,581,463		5,600,910
Debt Service:						
Principal Retirement			65,000			65,000
Interest and Fiscal Charges			275,302			275,302
Total Expenditures	<u>6,534,821</u>	<u>477,627</u>	<u>348,065</u>	<u>5,585,412</u>		<u>12,945,925</u>
Excess of Revenues Over Expenditures	19,322	50,307	34,643	5,507,198		5,611,470
Other Financing Sources:						
Sale of Fixed Assets	1,013					1,013
Excess of Revenues and Other Financing Sources Over Expenditures	20,335	50,307	34,643	5,507,198		5,612,483
Fund Balances at Beginning of Year	1,024,488	73,366	284,297	2,803,052	999	4,186,202
Fund Balances at End of Year	<u>\$1,044,823</u>	<u>\$123,673</u>	<u>\$318,940</u>	<u>\$8,310,250</u>	<u>\$999</u>	<u>\$9,798,685</u>

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,668,202	\$1,720,524	\$52,322	\$29,094	\$31,097	\$2,003
Payment in Lieu of Taxes	27,320	27,320				
Intergovernmental	3,816,400	4,304,943	488,543	209,150	230,177	21,027
Interest	150,000	160,071	10,071			
Tuition and Fees	46,000	83,577	37,577			
Extracurricular Activities	160,000	153,409	(6,591)	264,100	188,067	(76,033)
Gifts and Donations	2,000	6,300	4,300	9,100	8,500	(600)
Miscellaneous	64,680	94,909	30,229	8,000	8,966	966
Total Revenues	5,934,602	6,551,053	616,451	519,444	466,807	(52,637)
Expenditures:						
Current:						
Instruction:						
Regular	3,715,750	3,643,503	72,247	240,718	223,996	16,722
Special	602,400	591,910	10,490	15,000	7,467	7,533
Vocational	140,500	134,074	6,426			
Other	16,000	3,142	12,858			
Support Services:						
Pupils	181,800	176,732	5,068	9,500	7,119	2,381
Instructional Staff	375,050	368,885	6,165	4,748	4,673	75
Board of Education	24,000	21,408	2,592			
Administration	538,200	496,444	41,756			
Fiscal	166,500	157,783	8,717	1,000	711	289
Operation and Maintenance of Plant	465,300	453,484	11,816			
Pupil Transportation	219,300	205,979	13,321			
Central	2,300	2,091	209			
Non-Instructional Services	1,800	1,673	127			
Extracurricular Activities	344,800	320,555	24,245	224,800	203,406	21,394
Capital Outlay	21,000	14,412	6,588	25,000	7,720	17,280
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	6,814,700	6,592,075	222,625	520,766	455,092	65,674
Excess of Revenues Over (Under) Expenditures	(880,098)	(41,022)	839,076	(1,322)	11,715	13,037
Other Financing Sources (Uses):						
Sale of Fixed Assets		1,013	1,013			
Refund of Prior Year Expenditures		1,595	1,595			
Refund of Prior Year Receipts	(12,300)		12,300	(4,070)	(4,062)	8
Advances In		10,000	10,000			
Advances Out		(1,400)	(1,400)		(2,800)	(2,800)
Total Other Financing Sources (Uses)	(12,300)	11,208	23,508	(4,070)	(6,862)	(2,792)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(892,398)	(29,814)	862,584	(5,392)	4,853	10,245
Fund Balances at Beginning of Year	1,709,653	1,709,653		52,639	52,639	
Prior Year Encumbrances Appropriated	84,837	84,837		43,020	43,020	
Fund Balances (Deficit) at End of Year	\$902,092	\$1,764,676	\$862,584	\$90,267	\$100,512	\$10,245

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$261,376	\$338,453	\$77,077	\$91,189	\$76,838	(\$14,351)			
34,000	42,815	8,815	14,448,795	10,806,603	(3,642,192)			
	1,680	1,680	180,000	197,170	17,170			
<u>295,376</u>	<u>382,948</u>	<u>87,572</u>	<u>14,719,984</u>	<u>11,080,611</u>	<u>(3,639,373)</u>			
			99,064	99,056	8			
			6,000	2,165	3,835			
8,000	7,763	237	3,000	1,784	1,216			
			97,000	59,593	37,407			
			17,216,000	15,756,291	1,459,709			
65,000	65,000							
<u>276,000</u>	<u>275,302</u>	<u>698</u>						
<u>349,000</u>	<u>348,065</u>	<u>935</u>	<u>17,421,064</u>	<u>15,918,889</u>	<u>1,502,175</u>			
<u>(53,624)</u>	<u>34,883</u>	<u>88,507</u>	<u>(2,701,080)</u>	<u>(4,838,278)</u>	<u>(2,137,198)</u>			
(53,624)	34,883	88,507	(2,701,080)	(4,838,278)	(2,137,198)			
281,941	281,941		2,050,677	2,050,677		999	999	
			753,849	753,849				
<u>\$228,317</u>	<u>\$316,824</u>	<u>\$88,507</u>	<u>\$103,446</u>	<u>(\$2,033,752)</u>	<u>(\$2,137,198)</u>	<u>\$999</u>	<u>\$999</u>	<u>\$0</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Operating Revenues:	
Sales	\$186,863
Tuition	2,353
Other Operating Revenues	<u>111</u>
Total Operating Revenues	<u>189,327</u>
Operating Expenses:	
Salaries	75,991
Fringe Benefits	9,417
Purchased Services	1,594
Materials and Supplies	4,551
Cost of Sales	139,955
Depreciation	<u>3,234</u>
Total Operating Expenses	<u>234,742</u>
Operating Loss	<u>(45,415)</u>
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	24,900
Operating Grants	26,645
Interest	2,071
Loss on Disposal of Fixed Assets	<u>(709)</u>
Total Non-Operating Revenues (Expenses)	<u>52,907</u>
Net Income	7,492
Retained Earnings at Beginning of Year	<u>40,381</u>
Retained Earnings at End of Year	<u><u>\$47,873</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$193,400	\$188,038	(\$5,362)
Tuition	3,000	2,353	(647)
Operating Grants	21,000	26,645	5,645
Interest		2,071	2,071
Other Revenues		111	111
Total Revenues	217,400	219,218	1,818
Expenses:			
Salaries	80,500	78,024	2,476
Fringe Benefits	14,800	10,807	3,993
Purchased Services	3,900	1,594	2,306
Materials and Supplies	145,500	141,792	3,708
Capital Outlay	20,000	18,670	1,330
Total Expenses	264,700	250,887	13,813
Excess of Revenues Under Expenses	(47,300)	(31,669)	15,631
Advances In		1,400	1,400
Advances Out		(7,200)	(7,200)
Excess of Revenues Under Expenses and Advances	(47,300)	(37,469)	9,831
Fund Balances at Beginning of Year	43,070	43,070	
Prior Year Encumbrances Appropriated	14,418	14,418	
Fund Balances at End of Year	\$10,188	\$20,019	\$9,831

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$190,391
Cash Payments for Salaries	(78,024)
Cash Payments for Fringe Benefits	(10,807)
Cash Payments for Goods and Services	(129,791)
Cash Received from Other Revenues	111
Net Cash Used for Operating Activities	<u>(28,120)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	26,645
Cash Received from Advances In	1,400
Cash Payments for Advances Out	(7,200)
Net Cash Provided by Noncapital Financing Activities	<u>20,845</u>

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Fixed Assets	<u>(17,740)</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>2,071</u>
-----------------------------	--------------

Net Decrease in Cash and Cash Equivalents	(22,944)
Cash and Cash Equivalents at Beginning of Year	<u>57,488</u>
Cash and Cash Equivalents at End of Year	<u><u>34,544</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(45,415)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities

Depreciation	3,234
Donated Commodities Used During Year	24,900
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	1,175
Increase in Inventory Held for Resale	(184)
Increase in Materials and Supplies Inventory	(47)
Decrease in Accounts Payable	(8,360)
Decrease in Accrued Wages and Benefits	(2,227)
Decrease in Compensated Absences Payable	(3,663)
Increase in Intergovernmental Payable	2,467
Net Cash Used for Operating Activities	<u><u>(\$28,120)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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 and/or federal guidelines.

The School District is located in Mercer and Darke Counties. The School District is the 435th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-nine classified employees, seventy-seven certified teaching personnel, and seven administrative employees who provide services to one thousand one hundred seventy-four students and other community members. The School District currently operates two instructional buildings.

A. Reporting Entity

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

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

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the NOACSC Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Henry Consolidated Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types

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. For the School District, these include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust fund and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, payment in lieu of taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 appropriation 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 primary level of budgetary control is at the object level within each function and fund. 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.

The Title VI-B special revenue fund is a flow through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

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 expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

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

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses 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 expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as 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 appropriation resolutions were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the Mercer County Educational Service Center, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

4. 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 Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately for the School District by the St. Henry Bank, who services the School District's bond and coupon payments, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are reported at fair value, except for non-negotiable certificates of deposit and repurchase agreements, which are reported at cost. Fair value is based on quoted market prices or current share price.

The School District allocates interest earnings according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$160,071, which included \$16,951 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 three months, and not purchased from the pool, are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

F. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated and purchased food and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after twenty years of service with the School District, or after fifteen year of service and at least forty-five years of age, or after ten years of service and at least fifty years of age.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these obligations made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, budget stabilization, bus purchase, and encumbrances.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Title I and Title VI-R special revenue funds had deficit fund balances, in the amount of \$2,615 and \$130, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Uniform School Supplies enterprise fund had deficit retained earnings of \$5,090, which was the result of accumulated operating losses from prior years.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001:

<u>Fund Type/Fund</u>	<u>Amount</u>
Special Revenue Funds	
SchoolNet Professional Development	\$4,000
Summer School Intervention	500
Safe Schools Help Line	7
Miscellaneous Federal Grants	25,002
Capital Projects Funds	
SchoolNet	36,000
Technology Equity	1,735
Enterprise Fund	
Food Service	1,795

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
- d. Although not part of the appropriated budget the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$20,335	\$50,307	\$34,643	\$5,507,198
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	17,468	200	2,356	13,839
Accrued FY 2001, Not Yet Received in Cash	(18,963)	(5,427)	(2,116)	(11,676)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(804,191)	(19,693)	0	(37,949)
Accrued FY 2001, Not Yet Paid in Cash	879,120	19,597	0	1,602,876
Cash Adjustments:				
Unrecorded Activity FY 2000	0	0	0	22,636
Unrecorded Activity FY 2001	0	0	0	(36,798)
Prepaid Items	(2,214)	0	0	(4,305)
Advances In	10,000	0	0	0
Advances Out	(1,400)	(2,800)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	<u>(129,969)</u>	<u>(37,331)</u>	<u>0</u>	<u>(11,894,099)</u>
Budget Basis	<u><u>(\$29,814)</u></u>	<u><u>\$4,853</u></u>	<u><u>\$34,883</u></u>	<u><u>(\$4,838,278)</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	\$7,492
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	1,331
Accrued FY 2001, Not Yet Received in Cash	(156)
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(41,989)
Accrued FY 2001, Not Yet Paid in Cash	30,206
Inventory Held for Resale	(184)
Materials and Supplies Inventory	(47)
Acquisition of Fixed Assets	(17,740)
Depreciation Expense	3,234
Loss on Disposal of Fixed Assets	709
Advances In	1,400
Advances Out	(7,200)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(14,525)</u>
Budget Basis	<u><u>(\$37,469)</u></u>

6. 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 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

- a. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, debt interests rated in either of the two highest rated 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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the School District had \$5,500 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was (\$82,078) and the bank balance was \$50,000. The entire bank balance was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Federal National Mortgage Association Notes	\$993,900	\$0	\$993,900	\$993,900
Federal Home Loan Bank Notes	1,345,225	0	1,345,225	1,345,225
Repurchase Agreements	0	9,713,480	9,713,480	9,714,438
	<u>\$2,339,125</u>	<u>\$9,713,480</u>	12,052,605	12,053,563
Mutual Funds			333,305	333,305
Totals			<u>\$12,385,910</u>	<u>\$12,386,868</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$12,309,332	\$0
Cash on Hand	(5,500)	0
Investments:		
Federal National Mortgage Association Notes	(993,900)	993,900
Federal Home Loan Bank Notes	(1,345,225)	1,345,225
Repurchase Agreements	(9,713,480)	9,713,480
Mutual Funds	(333,305)	333,305
GASB Statement No. 3	<u>(\$82,078)</u>	<u>\$12,385,910</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$11,384 in the General Fund, \$212 in the Classroom Facilities special revenue fund, \$2,116 in the Bond Retirement debt service fund, and \$510 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$10,745 in the General Fund, \$200 in the Classroom Facilities special revenue fund, \$2,356 in the Bond Retirement debt service fund, and \$471 in the Permanent Improvement capital projects fund.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second - Half Collections		2001 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,789,930	86.62%	\$60,838,700	86.74%
Public Utility	3,243,235	4.70	3,266,520	4.66
Tangible Personal	5,988,495	8.68	6,031,490	8.60
Total Assessed Value	<u>\$69,021,660</u>	<u>100.00%</u>	<u>\$70,136,710</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.00		\$38.10	

A 1.5 mill permanent improvement levy expired during fiscal year 2001.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (student fees and billings for user charged services), intergovernmental, accrued interest, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$9,828.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Erate	<u>\$455</u>
Special Revenue Fund	
Eisenhower Grant	<u>2,717</u>
Capital Projects Funds	
Ohio School Facilities Grant	3,819,662
Video Distance Learning Grant	<u>4,679</u>
Total Capital Projects Funds	<u>3,824,341</u>
Total Intergovernmental Receivables	<u><u>\$3,827,513</u></u>

The receivable in the Ohio School Facilities capital projects fund represents grant money for new facilities construction in which the timing requirements for the grant were met prior to fiscal year end.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$91,670
Less Accumulated Depreciation	(48,957)
Net Fixed Assets	\$42,713

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Land and Improvements	\$ 739,127	\$ 85,000	\$ 0	\$ 824,127
Buildings and Improvements	9,089,606	65,000	0	9,154,606
Furniture, Fixtures, and Equipment	1,824,597	241,862	184,764	1,881,695
Vehicles	564,312	868	0	565,180
Construction in Progress	37,949	5,242,829	0	5,280,778
Totals	\$12,255,591	\$5,635,559	\$184,764	\$17,706,386

10. INTERFUND ASSETS/LIABILITIES

At June 30, 2001, the General Fund had an interfund receivable and Uniform School Supplies enterprise fund had an interfund payable, in the amount of \$1,400.

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverage.

Coverage provided by Nationwide Insurance is as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$25,810,000
Electronic Data Processing (\$1,000 deductible)	
Hardware	700,000
Software	150,000
Crime Insurance	1,000
Automobile Liability (\$250 deductible)	\$2,000,000
Uninsured Motorists	2,000,000
General Liability	
Per Occurrence	1,000,000
Per Year	5,000,000

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. RISK MANAGEMENT (Continued)

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

For fiscal year 2001, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

The School District participates in the Mercer Auglaize Employee Benefit Trust (the 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.

12. CONTRACTUAL COMMITMENTS

At June 30, 2001, the School District had the following significant contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Remaining Amount</u>
Keen & Cross	Building Improvements	\$102,822
Peterson Construction	Building Improvements	6,513,333
Ohio Plumbing & Electric	Building Improvements	432,170
Cincinnati Dayton Fire Protection	Building Improvements	235,273
Vaughn Industries	Building Improvements	2,386,923
Woolace Electric Corp	Building Improvements	1,294,454
St. Henry Tile Co.	Building Improvements	184,310
Fanning/Howey and Assoc.	Building Improvements	189,679

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$333,240, \$192,095, and \$177,838, respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$60,023, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$29,496, \$36,576, and \$47,400, respectively; 41 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$17,258, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$157,851.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$85,228 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred four days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-one days.

B. Health Care Benefits

The School District provides medical and dental insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
<u>General Long-Term Obligations</u>					
General Obligation Bonds					
2000 School Improvement					
Serial and Term Bonds	4.4 - 5.75%	\$2,410,000	\$ 0	\$ 0	\$2,410,000
Capital Appreciation Bonds	15.000	120,204	6,830	0	127,034
1995 School Improvement					
Serial and Term Bonds	5.613	2,175,000	0	65,000	2,110,000
Total General Obligation Debt		4,705,204	6,830	65,000	4,647,034
Compensated Absences Payable		399,211	45,751	0	444,962
Intergovernmental Payable		49,072	46,252	49,072	46,252
Total General Long-Term Obligations		<u>\$5,153,487</u>	<u>\$98,833</u>	<u>\$114,072</u>	<u>\$5,138,248</u>

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 Bond Retirement 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, in the years and respective principal amounts as follows:

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Year	Amount
2013	\$115,000
2014	125,000
2015	130,000
2016	140,000
2017	145,000
2018	155,000
2019	165,000
2020	170,000
2021	180,000

Unless previously redeemed, the remaining principal amount of \$190,000 will mature at stated maturity on December 1, 2022.

The term bonds maturing on or after 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 on or after December 1, 2010, at the redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100

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 2001, \$6,830 was accreted for total bond value of \$127,034.

1995 School Improvement General Obligation Bonds - On June 1, 1995, the School District issued \$2,450,000 in voted general obligation bonds for construction and improvement to buildings and structures. The bond issue included serial and term bonds, in the amount of \$870,000 and \$1,580,000, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2014, 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, in the years and respective principal amounts as follows:

Year	Amount
2008	\$90,000
2009	95,000
2010	105,000
2011	110,000
2012	120,000
2013	125,000

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Unless previously redeemed, the remaining principal amount of \$135,000 will mature at stated maturity on December 1, 2014.

The term bonds maturing on 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, on December 1, in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2015	\$145,000
2016	150,000
2017	160,000
2018	170,000

Unless previously redeemed, the remaining principal amount of \$175,000 will mature at stated maturity on December 1, 2019.

The term bonds maturing on or after December 1, 2006, 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, 2005, at the redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2005 through November 30, 2006	102%
December 1, 2006 through November 30, 2007	101
December 1, 2007 and thereafter	100

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$1,984,210 with an unvoted debt margin of \$70,137 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>2000 General Obligation Bonds</u>	<u>1995 General Obligation Bonds</u>	<u>Interest</u>	<u>Total</u>
2002	\$70,000	\$65,000	\$247,598	\$382,598
2003	75,000	70,000	241,210	386,210
2004	80,000	70,000	234,335	384,335
2005	85,000	75,000	226,955	386,955
2006	85,000	80,000	219,185	384,185
2007 - 2011	500,000	460,000	950,044	1,910,044
2012 - 2016	745,000	635,000	670,958	2,050,958
2017 - 2021	815,000	655,000	271,106	1,741,106
2022	190,000	0	10,925	200,925
	<u>\$2,645,000</u>	<u>\$2,110,000</u>	<u>\$3,072,316</u>	<u>\$7,827,316</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 provided by the State Classroom Facilities Commission, in excess of construction costs, shall be returned to the Commission. 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.

17. SET ASIDE REQUIREMENTS

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 year end or offset by similarly restricted resources received during the year must be held in cash at 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 2001, 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 2001.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. SET ASIDE REQUIREMENTS (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	(\$12,837)	\$0	\$87,504
Current Year Set Aside Requirement	141,254	141,254	0
Legislative Reduction	0	0	(67,749)
Current Year Offsets	0	(124,562)	0
Qualifying Expenditures	(182,805)	(16,692)	0
Amount Carried Forward to Fiscal Year 2002	<u>(\$54,388)</u>	<u>\$0</u>	<u>\$19,755</u>
Set Aside Reserve Balance June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$19,755</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbook set aside amounts below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$19,755.

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the St. Henry Consolidated Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$151,745	\$35,229	\$2,353	\$189,327
Depreciation Expense	3,234	0	0	3,234
Operating Income (Loss)	(59,087)	13,045	627	(45,415)
Federal Donated Commodities	24,900	0	0	24,900
Operating Grants	26,645	0	0	26,645
Net Income (Loss)	(6,180)	13,045	627	7,492
Net Working Capital	9,109	(5,090)	6,197	10,216
Fixed Assets Additions	17,740	0	0	17,740
Fixed Asset Reductions	886	0	0	886
Total Assets	76,775	180	6,197	83,152
Total Equity (Deficit)	46,766	(5,090)	6,197	47,873
Encumbrances Outstanding at Year End (Budget Basis)	190	14,335	0	14,525

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member 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. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. 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.

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

D. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

20. INSURANCE POOLS

A. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

B. 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, dental, and vision benefits to the employees of the participants. Each participants 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; J.M. Consulting, 3457 Beechway Boulevard, Toledo, Ohio 43614.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

22. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of March 22, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,672,710	\$95,659	\$281,941	\$2,827,162
Cash and Cash Equivalents with Fiscal Agent			5,000	
Receivables:				
Property Taxes	1,726,961	35,535	336,793	73,930
Accounts	1,631			
Intergovernmental	5,092			
Accrued Interest				13,368
Interfund	10,000			
Prepaid Items	6,721			
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	121,780			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	3,544,895	131,194	623,734	2,914,460
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	46,900	12,874		
Contracts Payable				37,949
Accrued Wages and Benefits	635,128	6,817		
Compensated Absences Payable	19,132			
Intergovernmental Payable	103,031			
Interfund Payable		2,800		
Deferred Revenue	1,716,216	35,335	334,437	73,459
Due to Students				
Matured Bonds Payable			5,000	
General Obligation Bonds Payable				
Total Liabilities	2,520,407	57,826	339,437	111,408
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	10,745	200	2,356	471
Reserved for Budget Stabilization	87,504			
Reserved for Bus Purchase	34,276			
Reserved for Encumbrances	40,476	30,297		715,900
Designated for Budget Stabilization	22,257			
Unreserved, Undesignated	829,230	42,871	281,941	2,086,681
Total Fund Equity and Other Credits	1,024,488	73,368	284,297	2,803,052
Total Liabilities, Fund Equity, and Other Credits	\$3,544,895	\$131,194	\$623,734	\$2,914,460

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$57,488	\$14,550			\$4,949,510 5,000
				2,173,219
1,331				2,962
				5,092
				13,368
				10,000
				6,721
4,950				4,950
593				593
				121,780
28,916		12,255,591		12,284,507
			284,297	284,297
			4,869,190	4,869,190
<u>93,278</u>	<u>14,550</u>	<u>12,255,591</u>	<u>5,153,487</u>	<u>24,731,189</u>
12,278				72,052
				37,949
13,029				654,974
8,719			399,211	427,062
7,963			49,072	160,066
7,200				10,000
3,708				2,163,155
	13,551			13,551
				5,000
			4,705,204	4,705,204
<u>52,897</u>	<u>13,551</u>		<u>5,153,487</u>	<u>8,249,013</u>
		12,255,591		12,255,591
40,381				40,381
				13,772
				87,504
				34,276
				786,673
				22,257
	999			3,241,722
<u>40,381</u>	<u>999</u>	<u>12,255,591</u>		<u>16,482,176</u>
<u>\$93,278</u>	<u>\$14,550</u>	<u>\$12,255,591</u>	<u>\$5,153,487</u>	<u>\$24,731,189</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
Revenues:						
Property Taxes	\$1,592,046	\$15,223	\$235,052	\$142,709		\$1,985,030
Payment in Lieu of Taxes	22,230					22,230
Intergovernmental	4,152,370	141,430	36,590	526,732		4,857,122
Interest	122,201			105,141		227,342
Tuition and Fees	78,841					78,841
Extracurricular Activities	136,948	247,678				384,626
Gifts and Donations	6,650	8,017				14,667
Miscellaneous	37,489	7,604	4,008			49,101
Total Revenues	<u>6,148,775</u>	<u>419,952</u>	<u>275,650</u>	<u>774,582</u>		<u>7,618,959</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,384,886	59,711				3,444,597
Special	409,219	49,674				458,893
Vocational	129,881					129,881
Other	14,375					14,375
Support Services:						
Pupils	160,115	12,336				172,451
Instructional Staff	253,379	111				253,490
Board of Education	15,641					15,641
Administration	466,133					466,133
Fiscal	163,615	321	6,857	2,107		172,900
Business	10,569					10,569
Operation and Maintenance of Plant	397,640					397,640
Pupil Transportation	171,739					171,739
Central	2,144					2,144
Non-Instructional Services	579					579
Extracurricular Activities	298,680	240,769				539,449
Capital Outlay	22,647	2,685		461,169		486,501
Debt Service:						
Principal Retirement	12,972		60,000			72,972
Interest and Fiscal Charges	454		183,428	56,495		240,377
Total Expenditures	<u>5,914,668</u>	<u>365,607</u>	<u>250,285</u>	<u>519,771</u>		<u>7,050,331</u>
Excess of Revenues Over Expenditures	<u>234,107</u>	<u>54,345</u>	<u>25,365</u>	<u>254,811</u>		<u>568,628</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	325					325
Proceeds of Bonds			58,565	2,451,000		2,509,565
Operating Transfers In				26,342		26,342
Operating Transfers Out	(26,342)					(26,342)
Total Other Financing Sources (Uses)	<u>(26,017)</u>		<u>58,565</u>	<u>2,477,342</u>		<u>2,509,890</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	208,090	54,345	83,930	2,732,153		3,078,518
Fund Balances at Beginning of Year	816,398	19,023	200,367	70,899	999	1,107,686
Fund Balances at End of Year	<u>\$1,024,488</u>	<u>\$73,368</u>	<u>\$284,297</u>	<u>\$2,803,052</u>	<u>\$999</u>	<u>\$4,186,204</u>

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,589,307	\$1,589,946	\$639	\$28,510	\$15,023	(\$13,487)
Payment in Lieu of Taxes	20,690	20,690				
Intergovernmental	3,878,149	4,150,411	272,262	86,066	91,756	5,690
Interest	80,000	130,638	50,638			
Tuition and Fees	46,000	78,896	32,896			
Extracurricular Activities	134,000	136,948	2,948	261,400	247,628	(13,772)
Gifts and Donations	2,000	6,650	4,650	8,000	8,017	17
Miscellaneous	35,310	37,398	2,088	9,800	7,604	(2,196)
Total Revenues	5,785,456	6,151,577	366,121	393,776	370,028	(23,748)
Expenditures:						
Current:						
Instruction:						
Regular	3,496,100	3,379,630	116,470	75,491	68,246	7,245
Special	465,700	401,341	64,359			
Vocational	165,900	134,400	31,500			
Other	16,000	14,375	1,625			
Support Services:						
Pupils	183,800	165,857	17,943	14,500	12,725	1,775
Instructional Staff	273,400	257,454	15,946	4,177	2,217	1,960
Board of Education	18,900	16,401	2,499			
Administration	472,100	462,667	9,433			
Fiscal	174,400	169,400	5,000	500	321	179
Business	16,000	10,569	5,431			
Operation and Maintenance of Plant	432,000	407,016	24,984			
Pupil Transportation	197,100	174,311	22,789			
Central	2,800	2,187	613			
Non-Instructional Services	900	579	321			
Extracurricular Activities	309,400	299,865	9,535	265,700	258,689	7,011
Capital Outlay	52,000	36,073	15,927	33,000	7,720	25,280
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	6,276,500	5,932,125	344,375	393,368	349,918	43,450
Excess of Revenues Over (Under) Expenditures	(491,044)	219,452	710,496	408	20,110	19,702
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets		325	325			
Refund of Prior Year Expenditures					50	50
Refund of Prior Year Receipts	(12,300)	(12,111)	189			
Proceeds of Bonds						
Proceeds of Notes						
Advances In		10,100	10,100		2,800	2,800
Advances Out		(10,000)	(10,000)		(8,200)	(8,200)
Operating Transfers In						
Operating Transfers Out	(26,500)	(26,342)	158			
Total Other Financing Sources (Uses)	(38,800)	(38,028)	772		(5,350)	(5,350)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(529,844)	181,424	711,268	408	14,760	14,352
Fund Balances (Deficit) at Beginning of Year	1,425,517	1,425,517		11,395	11,395	
Prior Year Encumbrances Appropriated	102,712	102,712		26,484	26,484	
Fund Balances at End of Year	\$998,385	\$1,709,653	\$711,268	\$38,287	\$52,639	\$14,352

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$125,150	\$289,495	\$164,345	\$84,271	\$85,884	\$1,613			
24,000	48,702	24,702	496,820	526,732	29,912			
			60,000	69,137	9,137			
	4,008	4,008						
149,150	342,205	193,055	641,091	681,753	40,662			
			10,080	8,545	1,535			
7,000	6,857	143	3,000	2,113	887			
			226,000	204,755	21,245			
			20,000		20,000			
			1,022,000	1,019,421	2,579			
2,511,000	2,511,000							
181,500	239,923	(58,423)						
2,699,500	2,757,780	(58,280)	1,281,080	1,234,834	46,246			
(2,550,350)	(2,415,575)	134,775	(639,989)	(553,081)	86,908			
2,450,000	2,509,565	59,565	500,000	2,451,000	1,951,000			
				(600)	(600)			
			26,400	26,342	(58)			
2,450,000	2,509,565	59,565	526,400	2,476,742	1,950,342			
(100,350)	93,990	194,340	(113,589)	1,923,661	2,037,250			
187,951	187,951		(2,474)	(2,474)		999	999	
			129,490	129,490				
\$87,601	\$281,941	\$194,340	\$13,427	\$2,050,677	\$2,037,250	\$999	\$999	\$0

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

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Revenues:

Sales	\$186,332
Tuition	3,695
Other Operating Revenues	<u>188</u>
Total Operating Revenues	<u>190,215</u>

Operating Expenses:

Salaries	72,624
Fringe Benefits	11,388
Purchased Services	3,046
Materials and Supplies	2,094
Cost of Sales	161,550
Depreciation	<u>2,256</u>
Total Operating Expenses	<u>252,958</u>

Operating Loss (62,743)

Non-Operating Revenues:

Federal Donated Commodities	28,121
Operating Grants	26,518
Interest	<u>2,448</u>
Total Non-Operating Revenues	<u>57,087</u>

Net Loss (5,656)

Retained Earnings at Beginning of Year 46,037
Retained Earnings at End of Year \$40,381

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$191,000	\$185,002	(\$5,998)
Tuition	3,000	3,695	695
Operating Grants	21,000	30,168	9,168
Interest		2,638	2,638
Other Revenues		188	188
Total Revenues	215,000	221,691	6,691
Expenses:			
Salaries	73,500	71,736	1,764
Fringe Benefits	13,400	11,451	1,949
Purchased Services	4,200	3,046	1,154
Materials and Supplies	144,500	141,155	3,345
Capital Outlay	2,500	162	2,338
Total Expenses	238,100	227,550	10,550
Excess of Revenues Under Expenses	(23,100)	(5,859)	17,241
Advances In		7,200	7,200
Advances Out		(1,300)	(1,300)
Excess of Revenues Over (Under) Expenses and Advances	(23,100)	41	23,141
Fund Balances at Beginning of Year	39,359	39,359	
Prior Year Encumbrances Appropriated	3,670	3,670	
Fund Balances at End of Year	\$19,929	\$43,070	\$23,141

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$188,697
Cash Payments for Salaries	(71,736)
Cash Payments for Fringe Benefits	(11,451)
Cash Payments to Suppliers for Goods and Services	(128,745)
Cash Received from Other Revenues	188
Net Cash Used for Operating Activities	<u>(23,047)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	30,168
Cash Received from Advances In	7,200
Cash Payments for Advances Out	(1,300)
Net Cash Provided by Noncapital Financing Activities	<u>36,068</u>

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Fixed Assets	<u>(1,200)</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>2,638</u>
-----------------------------	--------------

Net Increase in Cash and Cash Equivalents	14,459
Cash and Cash Equivalents at Beginning of Year	<u>43,029</u>
Cash and Cash Equivalents at End of Year	<u><u>57,488</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(62,743)
----------------	----------

Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities

Depreciation	2,256
Donated Commodities Used During Year	28,121
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,331)
Increase in Inventory Held for Resale	(379)
Decrease in Materials and Supplies Inventory	26
Increase in Accounts Payable	10,178
Increase in Accrued Wages and Benefits	175
Increase in Compensated Absences Payable	777
Decrease in Intergovernmental Payable	(127)
Net Cash Used for Operating Activities	<u><u>(\$23,047)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 and/or federal guidelines.

The School District is located in Mercer and Darke Counties. The School District is the 451st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-six classified employees, seventy-one certified teaching personnel, and five administrative employees who provide services to one thousand one hundred seventy-three students and other community members. The School District currently operates two instructional buildings.

A. Reporting Entity

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

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

The School District is associated with four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the NOACSC Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Henry Consolidated Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types

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. These include expendable trust, nonexpendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District did not have any nonexpendable trust funds in fiscal year 2000. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, interest, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 appropriation 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 primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Title VI-B special revenue fund is a flow through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

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 expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

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

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2000.

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 is legally enacted by the Board of Education at the fund, function, and object level of expenditures, 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 expenses 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 expenditures 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 as 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 appropriation resolutions were legally enacted.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise 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 Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately for the School District by the St. Henry Bank, who services the School District's bond and coupon payments, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

Investments are reported at fair value, except for non-negotiable certificates of deposit and repurchase agreements, which are reported at cost. Fair value is based on quoted market prices.

The School District allocates interest earnings according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2000 was \$122,201, which included \$31,353 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 three months are reported as investments.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

F. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated and purchased food and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. Compensated Absences

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after twenty years of service with the School District, or after fifteen year of service and at least forty-five years of age, or after ten years of service and at least fifty years of age.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these obligations made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, budget stabilization, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Education Management Information Systems
- SchoolNet Professional Development
- Textbook/Instructional Materials
- Ohio Reads
- Safe School Helpline
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Drug Free
- Title VI-R Classroom Reduction
- Continuous Improvement

Capital Projects Funds

- Classroom Facilities
- Technology Equity
- Emergency School Building Repair
- ADA

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Fund

- E-Rate

Enterprise Fund

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 64 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2000, the Eisenhower, Title I, and Drug Free special revenue funds had deficit fund balances, in the amount of \$1,336, \$1,112, and \$1,089, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Uniform School Supplies enterprise fund had deficit retained earnings of \$18,135, which was the result of accumulated operating losses from prior years.

B. Compliance

The Bond Retirement debt service fund interest and fiscal charges account had expenditures in excess of appropriations for the fiscal year ended June 30, 2000, in the amount of \$58,423.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
- d. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- e. The School District repays bond anticipation debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
- f. For enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- g. Although not part of the appropriated budget the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$208,090	\$54,345	\$83,930	\$2,732,153
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1999, Received in Cash FY 2000	20,270	0	12,416	141
Accrued FY 2000, Not Yet Received in Cash	(17,468)	(200)	(2,356)	(13,839)
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(746,931)	(10,656)	0	(55,658)
Accrued FY 2000, Not Yet Paid in Cash	804,191	19,691	0	37,949
Cash Adjustments:				
Unrecorded Activity FY 2000	0	0	0	(22,636)
Prepaid Items	(1,991)	0	0	0
Note Proceeds	0	0	0	2,451,000
Note Principal Retirement	0	0	(2,451,000)	0
Note Interest			(56,495)	56,495
Reallocation of Debt Activity	0	0	2,507,495	(2,507,495)
Advances In	10,100	2,800	0	0
Advances Out	(10,000)	(8,200)	0	(600)
Encumbrances Outstanding at Year End (Budget Basis)	(84,837)	(43,020)	0	(753,849)
Budget Basis	<u>\$181,424</u>	<u>\$14,760</u>	<u>\$93,990</u>	<u>\$1,923,661</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	(\$5,656)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Received in Cash FY 2000	3,841
Accrued FY 2000, Not Yet Received in Cash	(1,331)
Expense Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(30,987)
Accrued FY 2000, Not Yet Paid in Cash	41,989
Inventory Held for Resale	(379)
Materials and Supplies Inventory	26
Acquisition of Fixed Assets	(1,200)
Depreciation Expense	2,256
Advances In	7,200
Advances Out	(1,300)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(14,418)</u>
Budget Basis	<u><u>\$41</u></u>

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

- a. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, debt interests rated in either of the two highest rated 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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At fiscal year end, the School District had \$455 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was (\$67,666) and the bank balance was \$50,000. The entire bank balance was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Federal National Mortgage Association Notes	\$1,238,575	\$0	\$1,238,575	\$1,238,575
Federal Home Loan Bank Notes	246,325	0	246,325	246,325
Federal Farm Credit Bank Notes	349,440	0	349,440	349,440
Repurchase Agreements	0	2,631,581	2,631,581	2,632,070
Commercial Paper	357,408	0	357,408	357,408
	<u>\$2,191,748</u>	<u>\$2,631,581</u>	4,823,329	4,823,818
Mutual Funds			320,172	320,172
Totals			<u>\$5,143,501</u>	<u>\$5,143,990</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$5,076,290	\$0
Cash on Hand	(455)	0
Investments:		
Federal National Mortgage Association Notes	(1,238,575)	1,238,575
Federal Home Loan Bank Notes	(246,325)	246,325
Federal Farm Credit Bank Notes	(349,440)	349,440
Repurchase Agreements	(2,631,581)	2,631,581
Commercial Paper	(357,408)	357,408
Mutual Funds	(320,172)	320,172
GASB Statement No. 3	<u>(\$67,666)</u>	<u>\$5,143,501</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2000 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$10,745 in the General Fund, \$200 in the Classroom Facilities special revenue fund, \$2,356 in the Bond Retirement debt service fund, and \$471 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1999, was \$8,645 in the General Fund, \$304 in the Bond Retirement debt service fund, and \$141 in the Permanent Improvement capital projects fund.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second - Half Collections		2000 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$49,395,880	85.05%	\$59,789,930	86.62%
Public Utility	3,051,000	5.25	3,243,235	4.70
Tangible Personal	5,633,540	9.70	5,988,495	8.68
Total Assessed Value	<u>\$58,080,420</u>	<u>100.00%</u>	<u>\$69,021,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.75		\$39.00	

7. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (student fees and billings for user charged services), intergovernmental, accrued interest, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$2,962.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Driver Education	\$3,350
Vocational Education	1,742
Total Intergovernmental Receivables	<u>\$5,092</u>

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$74,816
Less Accumulated Depreciation	<u>(45,900)</u>
Net Fixed Assets	<u>\$28,916</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$739,127	\$0	\$0	\$739,127
Buildings and Improvements	8,886,844	202,762	0	9,089,606
Furniture, Fixtures, and Equipment	1,643,371	214,142	32,916	1,824,597
Vehicles	528,218	63,197	27,103	564,312
Construction in Progress	0	37,949	0	37,949
Totals	<u>\$11,797,560</u>	<u>\$518,050</u>	<u>\$60,019</u>	<u>\$12,255,591</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

9. INTERFUND ASSETS/LIABILITIES

At June 30, 2000, the General Fund had an interfund receivable, in the amount of \$10,000, and the Eisenhower and Drug Free special revenue funds and Uniform School Supplies enterprise fund had interfund payables, in the amount of \$1,400, \$1,400, and \$7,200, respectively.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted for the following insurance coverages.

Coverages provided by Nationwide Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$18,768,000
Electronic Data Processing (\$1,000 deductible)	
Hardware	600,000
Software	142,500
Crime Insurance	1,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists	2,000,000
General Liability	
Per Occurrence	1,000,000
Per Year	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.

For fiscal year 2000, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

The School District participates in the Mercer Auglaize Employee Benefit Trust (the 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 insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

11. CONTRACTUAL COMMITMENTS

The School District has a contract with Fanning/Howey and Associates for design fees for building improvements. The total contract amount was \$968,698, with a remaining balance of \$711,104 at June 30, 2000.

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$192,095, \$177,838, and \$298,445, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$31,058, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$36,576, \$47,400, and \$53,738, respectively; 40 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$21,851, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$256,126 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$74,776 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred four days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-one days.

B. Health Care Benefits

The School District provides medical and dental insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.

15. NOTES PAYABLE

During fiscal year 2000, the School District issued and retired \$2,451,000 in bond anticipation notes.

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
<u>General Long-Term Obligations</u>					
General Obligation Bonds					
2000 School Improvement					
Serial and Term Bonds	4.4 - 5.75%	\$ 0	\$2,410,000	\$ 0	\$2,410,000
Capital Appreciation Bonds	15.000	0	120,204	0	120,204
1995 School Improvement					
Serial and Term Bonds	5.613	2,235,000	0	60,000	2,175,000
1996 Land Acquisition Note	7.000	12,972	0	12,972	0
Total General Obligation Debt		<u>2,247,972</u>	<u>2,530,204</u>	<u>72,972</u>	<u>4,705,204</u>
Compensated Absences Payable		376,814	22,397	0	399,211
Intergovernmental Payable		48,805	49,072	48,805	49,072
Total General Long-Term Obligations		<u>\$2,673,591</u>	<u>\$2,601,673</u>	<u>\$121,777</u>	<u>\$5,153,487</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. 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 the 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 Bond Retirement 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, in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2013	\$115,000
2014	125,000
2015	130,000
2016	140,000
2017	145,000
2018	155,000
2019	165,000
2020	170,000
2021	180,000

Unless previously redeemed, the remaining principal amount of \$190,000 will mature at stated maturity on December 1, 2022.

The term bonds maturing on or after 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 on or after December 1, 2010, at the redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100

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 2000, \$1,625 was accreted for total bond value of \$120,204.

1995 School Improvement General Obligation Bonds - On June 1, 1995, the School District issued \$2,450,000 in voted general obligation bonds for the construction and improvement to buildings and structures. The bond issue included serial and term bonds, in the amount of \$870,000 and \$1,580,000. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2014, 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, in the years and respective principal amounts as follows:

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Year	Amount
2008	\$90,000
2009	95,000
2010	105,000
2011	110,000
2012	120,000
2013	125,000

Unless previously redeemed, the remaining principal amount of \$135,000 will mature at stated maturity on December 1, 2014.

The term bonds maturing on 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, on December 1, in the years and respective principal amounts as follows:

Year	Amount
2015	\$145,000
2016	150,000
2017	160,000
2018	170,000

Unless previously redeemed, the remaining principal amount of \$175,000 will mature at stated maturity on December 1, 2019. The term bonds maturing on or after December 1, 2006, 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, 2005, at the redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2005 through November 30, 2006	102%
December 1, 2006 through November 30, 2007	101
December 1, 2007 and thereafter	100

1996 Land Acquisition Note - On July 11, 1995, the School District issued \$42,972 in unvoted general obligation notes for the acquisition of land. The notes were issued for a four year period and were completely retired during fiscal year 2000 from the General Fund. The notes had an interest rate of 7 percent.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$1,791,042 with an unvoted debt margin of \$69,022 at June 30, 2000.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>2000 General Obligation Bonds</u>	<u>1995 General Obligation Bonds</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 70,000	\$ 65,000	\$ 253,440	\$ 388,440
2002	75,000	65,000	247,598	387,598
2003	80,000	70,000	241,210	391,210
2004	85,000	70,000	234,335	389,335
2005	85,000	75,000	226,955	386,955
2006 - 2010	500,000	435,000	1,002,413	1,937,413
2011 - 2015	490,204	595,000	733,744	1,818,948
2016 - 2020	775,000	800,000	353,863	1,928,863
2021	370,000	0	32,200	402,200
	<u>\$2,530,204</u>	<u>\$2,175,000</u>	<u>\$3,325,758</u>	<u>\$8,030,962</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 provided by the State Classroom Facilities Commission, in excess of construction costs, shall be returned to the Commission. 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.

17. RESERVATIONS OF FUND BALANCE

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 year end or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In addition, the School District is also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

17. RESERVATIONS OF FUND BALANCE (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 1999	\$0	\$0	\$62,286
Current Year Set Aside Requirement	134,979	134,979	44,993
Current Year Offsets	0	(113,800)	(19,775)
Qualifying Expenditures	(147,816)	(65,717)	0
Total	<u>(\$12,837)</u>	<u>(\$44,538)</u>	<u>\$87,504</u>
Amount Carried Forward to Fiscal Year 2001	<u>(\$12,837)</u>	<u>\$0</u>	<u>\$87,504</u>
Set Aside Reserve Balance June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$87,504</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. The textbook amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$87,504.

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the St. Henry Consolidated Local School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$154,291	\$32,229	\$3,695	\$190,215
Depreciation Expense	2,256	0	0	2,256
Operating Income (Loss)	(48,556)	(14,746)	559	(62,743)
Federal Donated Commodities	28,121	0	0	28,121
Operating Grants	26,518	0	0	26,518
Net Income (Loss)	8,531	(14,746)	559	(5,656)
Fixed Asset Additions	1,200	0	0	1,200
Net Working Capital	32,749	(18,135)	5,570	20,184
Total Assets	86,365	1,343	5,570	93,278
Total Equity	52,946	(18,135)	5,570	40,381
Encumbrances Outstanding at Year End (Budget Basis)	0	14,338	80	14,418

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member 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. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. 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.

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

D. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

20. INSURANCE POOLS

A. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

B. 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, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio 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.

21. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of March 22, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

21. STATE SCHOOL FUNDING DECISION (Continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

22. CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

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

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

St. Henry Consolidated Local School District
Mercer County
371 East Columbus Street
St. Henry, OH 45883

To the Board of Education:

We have audited the financial statements of St. Henry Consolidated Local School District (the District), Mercer County, Ohio, as of and for the years ended June 30, 2001 and June 30, 2000, and have issued our report thereon dated March 22, 2002, wherein we noted the District implemented Governmental Accounting Standards Board Statement numbers 33 and 36. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2001-10254-001 to 2001-10254-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 22, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 22, 2002.

St. Henry Consolidated Local School District
Mercer County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

March 22, 2002

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

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2001-10254-001

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

For 40% of the transactions tested, the purchase order, which indicates certification of funds, was attached to the invoice but the purchase order date was after the invoice date. Thus, prior certification was not apparent. In addition, there was no evidence of subsequent certification (Then and Now Certification) by the fiscal officer and authorization by the Board.

The District should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds. The District should obtain the required certification prior to obligating funds when practicable. The exceptions should be used when prior certification is not practicable.

Finding Number 2001-10254-002

Ohio Rev. Code Sections 135.14 and 133.03(A)(1) state that the treasurer of the governing board may enter into a repurchase agreement with any eligible institution mentioned in Ohio Rev. Code Section 135.03 or any eligible dealer pursuant to Ohio Rev. Code Section 135.14(M). The market value of securities subject to an overnight repurchase agreement must exceed the principal value of the securities subject to a repurchase agreement by 2%. Also, Sections 135.14 and 133.03(A)(1) outlines the types of securities eligible for the investment of interim monies.

During fiscal year 2001, the securities comprising the repurchase agreement contained various securities which are not eligible for the investment of interim monies per Ohio Revised Code Sections 135.14 and 133.03(A)(1). Also, at June 30, 2001 and 2000, the market value of securities subject to an overnight repurchase agreement did not exceed the principal value of the securities subject to a repurchase agreement by 2%. The repurchase agreements comprised 79% of the interim investments during fiscal year 2001 and 51% of the interim deposits during fiscal year 2000.

The District should review the securities transacted as part of the repurchase agreement and assure that the market value exceeds the principal value by at least 2% and that the securities are eligible per Ohio Revised Code Sections 135.14 and 133.03(A)(1).

Finding Number 2001-10254-003

17 C.F.R. Section 240.15c2-12 and Continuing Disclosure Certificate for the 2000 Classroom Facilities Bonds requires the District to provide to the State Information Depository (SID): Annual financial information and operating data, timely material event notices and Audited financial statements, when and if available; and to each Nationally Recognized Municipal Security Information Repositories (NRMSIRs), notice of the material events as outlined. The Continuing Disclosure Certificate requires the District to meet the requirements listed above not later than December 1 beginning with fiscal year ending June 30, 1999.

The District failed to file the annual financial information and the audited financial statements with the SID.

The District should implement procedures to ensure the annual financial information and the audited financial statements are filed with the SID.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or No Longer <u>Valid</u> ; <u>Explain</u>
1999-10254-001	ORC Sec. 5705.41(D), improper certification of available funds	No	Repeat in current audit, see 2001-10254-001 in Schedule of Findings.
1999-10254-001	Tracking additions and deletions to fixed assets.	No	Some progress made. Similar recommendation made in current year, moved to management letter.



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ST. HENRY CONSOLIDATE 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
APRIL 16, 2002**