



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 2003	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2003	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Funds - For the Fiscal Year Ended June 30, 2003	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity Proprietary Fund Type - For the Fiscal Year Ended June 30, 2003	10
Combined Statement of Cash Flows - Proprietary Fund Type For the Fiscal Year Ended June 30, 2003	11
Combined Statement of Revenues, Expenses, and Changes in Fund Balances Budget (Non GAAP Budgetary Basis) and Actual - Proprietary Fund Type For the Fiscal Year Ended June 30, 2003	12
Notes to the General-Purpose Financial Statements	13
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 2002	40
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2002	42
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Funds - For the Fiscal Year Ended June 30, 2002	44
Combined Statement of Revenues, Expenses, and Changes in Fund Equity Proprietary Fund Type - For the Fiscal Year Ended June 30, 2002	46
Combined Statement of Cash Flows - Proprietary Fund Type - For the Fiscal Year Ended June 30, 2002	47
Combined Statement of Revenues, Expenses, and Changes in Fund Balances Budget (Non GAAP Budgetary Basis) and Actual - Proprietary Fund Type For the Fiscal Year Ended June 30, 2003	48
Notes to the General-Purpose Financial Statements	49
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	75
Schedule of Findings.....	77
Schedule of Prior Audit Findings.....	78

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of St. Henry Consolidated Local School District, Mercer County, Ohio (the School District) as of and for the years ended June 30, 2003 and June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School 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 St. Henry Consolidated Local School District, as of June 30, 2003 and June 30, 2002, 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, 2003, the School District changed the threshold amount for capitalizing fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 29, 2004

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

This page intentionally left blank.

This page intentionally left blank.

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,476,204	\$136,049	\$235,611	\$1,037,925
Cash and Cash Equivalents with Fiscal Agent			5,000	
Receivables:				
Property Taxes	1,833,779	33,133	312,059	80,530
Accounts	867	10,524		
Intergovernmental	5,833	4,367		
Accrued Interest	1,188			346
Interfund	6,000			
Prepaid Items	20,957			
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	60,131			
Cash and Cash Equivalents with Escrow Agent				25,810
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-term Obligations				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>3,404,959</u>	<u>184,073</u>	<u>552,670</u>	<u>1,144,611</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	21,681	18,259		13,735
Contracts Payable				21,551
Accrued Wages and Benefits	806,372	13,736		
Compensated Absences Payable	17,761			
Intergovernmental Payable	124,906	180		
Interfund Payable		3,000		
Retainage Payable				3,171
Deferred Revenue	1,823,063	32,934	310,171	80,049
Undistributed Assets				
Due to Students				
Matured Bonds Payable			5,000	
Payable from Restricted Assets				
Retainage Payable				25,810
General Obligation Bonds Payable				
Total Liabilities	<u>2,793,783</u>	<u>68,109</u>	<u>315,171</u>	<u>144,316</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Contributed Capital				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	10,716	199	1,888	481
Reserved for Budget Stabilization	19,755			
Reserved for Bus Purchase	40,376			
Reserved for Encumbrances	72,281	19,697		61,248
Unreserved	468,048	96,068	235,611	938,566
Total Fund Equity and Other Credits	<u>611,176</u>	<u>115,964</u>	<u>237,499</u>	<u>1,000,295</u>
Total Liabilities, Fund Equity, and Other Credits	<u><u>\$3,404,959</u></u>	<u><u>\$184,073</u></u>	<u><u>\$552,670</u></u>	<u><u>\$1,144,611</u></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			
\$39,492	\$32,270			\$2,957,551 5,000
				2,259,501
440				11,831
4,650				14,850
18				1,552
				6,000
				20,957
7,829				7,829
621				621
				60,131
				25,810
236,314		\$29,540,644		29,776,958
			\$237,499	237,499
			4,611,717	4,611,717
<u>289,364</u>	<u>32,270</u>	<u>29,540,644</u>	<u>4,849,216</u>	<u>39,997,807</u>
8,205				61,880
				21,551
17,443				837,551
11,161			413,822	442,744
10,964			53,182	189,232
3,000				6,000
				3,171
				2,246,217
	4,687			4,687
	21,799			21,799
				5,000
				25,810
			4,382,212	4,382,212
<u>50,773</u>	<u>26,486</u>	<u></u>	<u>4,849,216</u>	<u>8,247,854</u>
		29,540,644		29,540,644
213,636				213,636
24,955				24,955
				13,284
				19,755
				40,376
				153,226
	5,784			1,744,077
<u>238,591</u>	<u>5,784</u>	<u>29,540,644</u>	<u></u>	<u>31,749,953</u>
<u>\$289,364</u>	<u>\$32,270</u>	<u>\$29,540,644</u>	<u>\$4,849,216</u>	<u>\$39,997,807</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$1,852,078	\$33,414	\$317,059	\$80,863		\$2,283,414
Payment in Lieu of Taxes	31,715					31,715
Intergovernmental	4,982,926	208,951	39,074	216,030		5,446,981
Interest	37,699			23,162		60,861
Tuition and Fees	86,095					86,095
Extracurricular Activities	204,521	229,538				434,059
Gifts and Donations	7,069	6,000				13,069
Miscellaneous	146,129	10,571				156,700
Total Revenues	7,348,232	488,474	356,133	320,055		8,512,894
Expenditures:						
Current:						
Instruction:						
Regular	3,755,386	126,283		6,874		3,888,543
Special	758,998	101,769		7,505		868,272
Vocational	135,188					135,188
Support Services:						
Pupils	267,818	8,593				276,411
Instructional Staff	507,076	4,557				511,633
Board of Education	28,597					28,597
Administration	576,391					576,391
Fiscal	169,916	756	7,178	1,831		179,681
Operation and Maintenance of Plant	668,493			27,120		695,613
Pupil Transportation	151,495					151,495
Central	2,198					2,198
Non-Instructional Services	1,642					1,642
Extracurricular Activities	438,559	264,644				703,203
Capital Outlay	78,353	22,830		2,595,405		2,696,588
Debt Service:						
Principal Retirement			145,000			145,000
Interest and Fiscal Charges			242,935			242,935
Total Expenditures	7,540,110	529,432	395,113	2,638,735		11,103,390
Excess of Revenues Over/ (Under) Expenditures	(191,878)	(40,958)	(38,980)	(2,318,680)		(2,590,496)
Other Financing Sources:						
Sale of Fixed Assets	5,044					5,044
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures	(186,834)	(40,958)	(38,980)	(2,318,680)		(2,585,452)
Fund Balances at Beginning of Year	798,010	156,922	276,479	3,318,975	5,784	4,556,170
Fund Balances at End of Year	\$611,176	\$115,964	\$237,499	\$1,000,295	\$5,784	\$1,970,718

See Accompanying Notes to the General Purpose Financial Statements.

This page intentionally left blank.

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,750,000	\$1,848,661	\$98,661	\$30,183	\$33,351	\$3,168
Payment in Lieu of Taxes	31,715	31,715				
Intergovernmental	4,775,892	5,030,043	254,151	149,201	112,602	(36,599)
Interest	80,000	37,988	(42,012)			
Tuition and Fees	51,000	85,909	34,909			
Extracurricular Activities	212,000	204,521	(7,479)	266,900	223,791	(43,109)
Gifts and Donations	2,000	7,069	5,069	6,000	6,000	
Miscellaneous	84,285	139,302	55,017	9,000	7,916	(1,084)
Total Revenues	6,986,892	7,385,208	398,316	461,284	383,660	(77,624)
Expenditures:						
Current:						
Instruction:						
Regular	3,895,100	3,845,124	49,976	128,794	124,139	4,655
Special	776,150	747,182	28,968	10,500	10,500	
Vocational	165,100	137,909	27,191			
Other	18,000	12,761	5,239			
Support Services:						
Pupils	284,900	272,138	12,762	12,000	8,278	3,722
Instructional Staff	515,750	508,164	7,586	5,138	5,138	
Board of Education	33,300	31,119	2,181			
Administration	593,150	582,021	11,129			
Fiscal	180,700	176,718	3,982	1,000	756	244
Operation and Maintenance of Plant	685,700	675,578	10,122			
Pupil Transportation	189,500	154,974	34,526			
Central	3,800	2,150	1,650			
Non-Instructional Services	2,000	1,662	338			
Extracurricular Activities	438,600	429,793	8,807	301,000	282,280	18,720
Capital Outlay	86,800	78,353	8,447	50,000	22,830	27,170
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	7,868,550	7,655,646	212,904	508,432	453,921	54,511
Excess of Revenues Under Expenditures	(881,658)	(270,438)	611,220	(47,148)	(70,261)	(23,113)
Other Financing Sources (Uses):						
Sale of Fixed Assets		5,044	5,044			
Refund of Prior Year Expenditures		8,971	8,971	1,580	1,580	
Advances In		16,400	16,400		3,000	3,000
Advances Out		(6,000)	(6,000)		(5,000)	(5,000)
Total Other Financing Sources (Uses)		24,415	24,415	1,580	(420)	(2,000)
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(881,658)	(246,023)	635,635	(45,568)	(70,681)	(25,113)
Fund Balances at End of Year	1,521,650	1,521,650		144,759	144,759	
Prior Year Encumbrances Appropriated	176,138	176,138		24,962	24,962	
Fund Balances at End of Year	\$816,130	\$1,451,765	\$635,635	\$124,153	\$99,040	(\$25,113)

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)
\$308,636	\$316,457	\$7,821	\$78,558	\$80,710	\$2,152			
34,000	39,074	5,074	1,951,265	216,030	(1,735,235)			
			105,000	52,303	(52,697)			
<u>342,636</u>	<u>355,531</u>	<u>12,895</u>	<u>2,134,823</u>	<u>349,043</u>	<u>(1,785,780)</u>			
			44,439	43,238	1,201			
			10,319	7,505	2,814			
8,000	7,178	822	3,000	1,831	1,169			
			160,000	94,633	65,367			
			40,000		40,000			
			3,321,634	3,199,453	122,181			
145,000	145,000							
250,000	242,935	7,065						
<u>403,000</u>	<u>395,113</u>	<u>7,887</u>	<u>3,579,392</u>	<u>3,346,660</u>	<u>232,732</u>			
(60,364)	(39,582)	20,782	(1,444,569)	(2,997,617)	(1,553,048)			
(60,364)	(39,582)	20,782	(1,444,569)	(2,997,617)	(1,553,048)			
275,193	275,193		1,493,686	1,493,686		5,784	5,784	
			2,462,308	2,462,308				
<u>\$214,829</u>	<u>\$235,611</u>	<u>\$20,782</u>	<u>\$2,511,425</u>	<u>\$958,377</u>	<u>(\$1,553,048)</u>	<u>\$5,784</u>	<u>\$5,784</u>	<u>\$0</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Enterprise
Operating Revenues:	
Sales	\$228,630
Tuition	2,758
Other Operating Revenues	538
Total Operating Revenues	231,926
Operating Expenses:	
Salaries	101,758
Fringe Benefits	23,749
Purchased Services	2,247
Materials and Supplies	11,431
Cost of Sales	171,806
Depreciation	13,496
Total Operating Expenses	324,487
Operating Loss	(92,561)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	36,285
Operating Grants	34,312
Interest	471
Loss on Disposal of Fixed Assets	(454)
Total Non-Operating Revenues (Expenses)	70,614
Net Income	(21,947)
Retained Earnings at Beginning of Year - (Restated Note 3)	46,902
Retained Earnings at End of Year	24,955
Contributed Capital at Beginning of Year	
Contributions From Other Funds	213,636
Contributed Capital at End of Year	213,636
Total Fund Equity at End of Year	\$238,591

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$231,350
Cash Payments for Salaries	(98,986)
Cash Payments for Fringe Benefits	(15,565)
Cash Payments for Goods and Services	(135,713)
Cash Received from Other Revenues	538
Net Cash Used for Operating Activities	(18,376)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	32,415
Cash Received from Advances In	3,000
Cash Payments for Advances Out	(11,400)
Net Cash Provided by Noncapital Financing Activities	24,015
Cash Flows from Investing Activities:	
Cash Received from Interest	453
Net Increase in Cash and Cash Equivalents	6,092
Cash and Cash Equivalents at Beginning of Year	33,400
Cash and Cash Equivalents at End of Year	39,492
Reconciliation of Operating Loss to Net	
Cash Used for Operating Activities:	
Operating Loss	(92,561)
Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities	
Depreciation	13,496
Donated Commodities Received During Year	36,285
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(38)
Decrease in Inventory Held for Resale	6,824
Decrease in Materials and Supplies Inventory	155
Increase in Accounts Payable	6,506
Increase in Accrued Wages and Benefits	2,789
Increase in Compensated Absences Payable	6,237
Increase in Intergovernmental Payable	1,931
Net Cash Used for Operating Activities	(\$18,376)

Non-Cash Transactions:

During fiscal year 2003, the Food Service enterprise fund received donated commodities, in the amount of \$36,285.

During fiscal year 2003, the Classroom Facilities capital projects fund acquired fixed assets, in the amount of \$213,636, and donated them to the Food Service enterprise fund.

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 BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$255,400	\$228,592	(\$26,808)
Tuition	1,000	2,758	1,758
Operating Grants	31,000	32,415	1,415
Interest		423	423
Other Revenues		538	538
Total Revenues	<u>287,400</u>	<u>264,726</u>	<u>(22,674)</u>
Expenses:			
Salaries	100,500	98,986	1,514
Fringe Benefits	18,400	15,565	2,835
Purchased Services	3,500	2,247	1,253
Materials and Supplies	170,000	140,647	29,353
Capital Outlay	8,500	8,074	426
Total Expenses	<u>300,900</u>	<u>265,519</u>	<u>35,381</u>
Excess of Revenues Under Expenses	(13,500)	(793)	12,707
Advances In		3,000	3,000
Advances Out		<u>(11,400)</u>	<u>(11,400)</u>
Excess of Revenues Under Expenses and Advances	(13,500)	(9,193)	4,307
Fund Balances at Beginning of Year	27,079	27,079	
Prior Year Encumbrances Appropriated	6,321	6,321	
Fund Balances at End of Year	<u><u>\$19,900</u></u>	<u><u>\$24,207</u></u>	<u><u>\$4,307</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, 2003**

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 federal guidelines.

The School District is located in Mercer and Darke Counties. The School District is the 453rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-eight classified employees, seventy-seven certified teaching personnel, and seven administrative employees who provide services to one thousand one hundred sixty-six 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, 2003
(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).

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:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust 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.

Nonexchange 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 nonexchange 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, 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 was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 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, expenses are recognized at the time they are incurred.

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

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 by fund cannot exceed estimated resources, as certified.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal 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 fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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. 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 total of expenditures and encumbrances may not exceed the appropriation totals at any legal 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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 as well as the School District's escrow accounts, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent", and "Cash and Cash Equivalents with Escrow Agent", respectively.

For fiscal year 2003, the School District's investments consisted of repurchase agreements, which are reported at cost.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2003 was \$37,699, which included \$10,868 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, 2003, 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

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

G. Restricted Assets

Restricted assets in the General and Capital Projects Funds represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent Bureau of Workmens Compensation refunds whose use is restricted by H. B. 345, and unexpended revenues restricted for the purchase of school buses. Restricted assets in the Capital Projects Fund represent amounts held by an escrow agent for retainage.

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 fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two thousand 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.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 years 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. Contributed Capital

Contributed capital represents resources from other funds provided to the enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are reported as retained earnings. Contributions from other funds continue to be reported as contributed capital.

M. 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. 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 the District's portion of Bureau of Workers Compensation refunds.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. RESTATEMENT OF FUND EQUITY

Fixed assets and accumulated depreciation in the Food Service enterprise fund decreased due to a change in the threshold amount for capitalizing fixed assets. The threshold was changed from five hundred dollars to two thousand five hundred dollars. Fixed assets decreased \$34,570, from \$91,670 to \$57,100, and accumulated depreciation decreased \$30,647, from \$51,119 to \$20,472. As a result, retained earnings as previously reported as of June 30, 2002, decreased \$3,923, from \$50,825 to \$46,902.

The fixed assets reported in the general fixed asset account group decreased \$1,887,303, from \$29,612,629 to \$27,725,326 as of June 30, 2002 as a result of the change in the threshold amount.

4. ACCOUNTABILITY

At June 30, 2003, the Title I and Title VI-R special revenue funds had deficit fund balances, in the amounts of \$9,197 and \$5,251, 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 \$9,495, which was the result of accumulated operating losses from prior years.

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 Budgetary Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Funds and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. 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).
4. 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				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$186,834)	(\$40,958)	(\$38,980)	(\$2,318,680)
Increase (Decrease) Due To:				
Revenue Accruals:				
Accrued FY 2002, Received in Cash FY 2003	63,055	3,838	1,286	7,299
Accrued FY 2003, Not Yet Received in Cash	(18,604)	(15,090)	(1,888)	(827)
Expenditure Accruals:				
Accrued FY 2002, Paid in Cash FY 2003	(995,747)	(11,637)	0	(671,330)
Accrued FY 2003, Not Yet Paid in Cash	970,720	32,175	0	38,457
Cash Adjustments:				
Unrecorded Activity FY 2002	3,072	0	0	23,093
Unrecorded Activity FY 2003	(1,576)	0	0	(577)
Prepaid Items	(7,515)	0	0	3,919
Advances In	16,400	3,000	0	0
Advances Out	(6,000)	(5,000)	0	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(82,994)	(37,009)	0	(78,971)
Budget Basis	<u>(\$246,023)</u>	<u>\$70,681</u>	<u>(\$39,582)</u>	<u>(\$2,997,617)</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses and Advances Enterprise Funds	
GAAP Basis	(\$21,947)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	3,155
Accrued FY 2003, Not Yet Received in Cash	(5,108)
Expense Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(30,310)
Accrued FY 2003, Not Yet Paid in Cash	47,773
Cash Adjustments:	
Unrecorded Activity FY 2003	(30)
Inventory Held for Resale	6,824
Materials and Supplies Inventory	155
Depreciation Expense	13,496
Loss on Disposal of Fixed Assets	454
Advances In	3,000
Advances Out	(11,400)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(15,255)</u>
Budget Basis	<u><u>(\$9,193)</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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(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:

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

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 \$76,455 in undeposited cash on hand which is included on the combined 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, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was \$32,450 and the bank balance was \$80,497. 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. At June 30, 2003, the School District's investment in repurchase agreements, a category three investment, had a carrying value of \$2,939,587 and a fair value of \$2,939,587.

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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$3,048,492	\$0
Cash on Hand	(76,455)	0
Investments:		
Repurchase Agreements	(2,939,587)	2,939,587
GASB Statement No. 3	\$32,450	\$2,939,587

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 property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. PROPERTY TAXES (Continued)

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$10,716 in the General Fund, \$199 in the Classroom Facilities special revenue fund, \$1,888 in the Bond Retirement debt service fund, and \$481 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$7,299 in the General Fund, \$136 in the Classroom Facilities special revenue fund, \$1,286 in the Bond Retirement debt service fund, and \$328 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second - Half Collections		2003 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,364,770	86.98%	\$64,714,680	86.34%
Public Utility	2,938,250	4.03	2,551,790	3.40
Tangible Personal	6,546,237	8.99	7,690,660	10.26
Total Assessed Value	\$72,849,257	100.00%	\$74,957,130	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.55		\$37.55	

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. PAYMENT IN LIEU OF TAXES

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

9. RECEIVABLES

Receivables at June 30, 2003, 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 \$11,831.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund- CAFS	\$5,833
Special Revenue Fund – Eisenhower Grant	4,367
Enterprise Fund - Food Service	
Federal Lunch Subsidy	4,650
Total Intergovernmental Receivables	\$14,850

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$266,191
Less Accumulated Depreciation	(29,877)
Net Fixed Assets	\$236,314

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Land and Improvements	\$715,884	\$0	\$36,235	\$679,649
Buildings and Improvements	8,828,077	18,612,630	169,707	27,271,000
Furniture, Fixtures, and Equipment	710,099	454,187	130,107	1,034,179
Vehicles	558,816	0	3,000	555,816
Construction in Progress	16,912,450	0	16,912,450	0
Totals	\$27,725,326	\$19,066,817	\$17,251,499	\$29,540,644

During fiscal year 2003, construction was completed on the new high/middle school. The completed building was removed from construction in progress and is reflected as an addition to buildings and improvements.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2003, the General Fund had an interfund receivable, in the amount of \$6,000. The Athletic special revenue fund and the Uniform School Supplies enterprise fund had an interfund payable, in the amount of \$3,000 each.

12. 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 2003, the School District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

Buildings and Contents - replacement cost	\$35,590,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	2,000,000
Aggregate	4,000,000
Umbrella Liability	2,000,000

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 2003, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (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 (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(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 to members and death and survivor benefits to 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.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 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 for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$485,587, \$352,484, and \$333,240, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$236 made by the School District and \$3,496 made by plan members.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 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, 2003, 2002, and 2001 were \$70,883, \$42,197 and \$29,496, respectively; 45 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

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, 2003, 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 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$37,371.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$67,583 for fiscal year 2003.

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, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from the negotiated agreements and State laws. Classified employees earn twenty days of vacation per year. 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 eight days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-two days.

B. Health Care Benefits

The School District provides medical, dental, and life insurance to all employees. The premium varies with each employee depending on marital and family status. Medical and dental benefits are provided through Mercer Auglaize Employee Benefit Trust. Life insurance is provided through Coresource, Inc.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/03</u>
General Long-Term Obligations					
General Obligation Bonds					
2000 School Improvement					
Serial and Term Bonds	4.4-5.75%	\$2,340,000	\$0	\$75,000	\$2,265,000
Capital Appreciation Bonds	15.00	134,409	7,803	0	142,212
1995 School Improvement					
Serial and Term Bonds	5.61	2,045,000	0	70,000	1,975,000
Total General Obligation Bonds		4,519,409	7,803	145,000	4,382,212
Compensated Absences Payable		390,738	23,084	0	413,822
Intergovernmental Payable		45,969	53,182	45,969	53,182
Total General Long-Term Obligations		<u>\$4,956,116</u>	<u>\$84,069</u>	<u>\$190,969</u>	<u>\$4,849,216</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:

<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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

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 2003, \$7,803 was accreted for total bond value of \$142,212.

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

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

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

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 \$2,702,855 with an unvoted debt margin of \$74,957 at June 30, 2003.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, were as follows:

Fiscal Year Ending June 30,	2000 General Obligation Bonds			1995 General Obligation Bonds	Interest	Total
	Serial and Term Bonds	Capital Appreciation Bonds	Capital Appreciation Bonds			
2004	\$80,000		\$0	\$70,000	\$234,335	\$384,335
2005	85,000		0	75,000	226,955	386,955
2006	85,000		0	80,000	219,185	384,185
2007	90,000		0	85,000	210,723	385,723
2008	95,000		0	85,000	201,696	381,696
2009 - 2013	430,000	40,786		520,000	1,042,536	2,033,322
2014 - 2018	695,000		0	715,000	520,260	1,930,260
2019 - 2022	705,000		0	345,000	122,032	1,172,032
	\$2,265,000		\$40,786	\$1,975,000	\$2,777,722	\$7,058,508

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2003, 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 2003.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2002	(\$240,751)	(\$2,400,989)	\$19,755
Current Year Set Aside Requirement	156,678	156,678	0
Current Year Offsets	0	(113,958)	0
Qualifying Expenditures	(248,120)	0	0
Amount Carried Forward to Fiscal Year 2004	<u>(\$332,193)</u>	<u>(\$2,358,269)</u>	<u>\$19,755</u>
Set Aside Reserve Balance June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$19,755</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirement in future fiscal years.

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 School District for the fiscal year ended June 30, 2003:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$203,992	\$25,176	\$2,758	\$231,926
Depreciation Expense	13,496	0	0	13,496
Operating Income (Loss)	(94,771)	2,554	(344)	(92,561)
Federal Donated Commodities	36,285	0	0	36,285
Operating Grants	34,312	0	0	34,312
Net Loss	(24,157)	2,554	(344)	(21,947)
Fixed Asset Additions	213,636	0	0	\$213,636
Fixed Asset Disposals	4,545	0	0	4,545
Change in Contributed Capital	213,636	0	0	213,636
Net Working Capital	16,814	(9,495)	6,119	13,438
Total Assets	282,541	704	6,119	289,364
Total Equity (Deficit)	241,967	(9,495)	6,119	238,591
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	0	15,255	0	15,255

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(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. During fiscal year 2003, the School District paid \$8,377 to NOACSC for various services. 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 (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 (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 Sandy Knudson, 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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. Northwest Ohio Area Computer Services Cooperative 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 (Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator 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 (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, 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, 2003
(Continued)**

21. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient

"The School District is currently unable to determine what effect, if any, this decision 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, 2003.

B. Litigation

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

This page intentionally left blank

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,657,519	\$169,721	\$275,193	\$3,979,087
Cash and Cash Equivalents With Fiscal Agent			5,000	
Receivables:				
Property Taxes	1,722,532	31,403	294,745	77,989
Accounts	2,806	3,702		
Intergovernmental	52,950	12,535		
Accrued Interest				6,971
Interfund	16,400			
Prepaid Items	13,442			3,919
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,341			
Cash and Cash Equivalents With Escrow Agent				271,076
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>3,508,990</u>	<u>217,361</u>	<u>574,938</u>	<u>4,339,042</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	34,002	6,612		
Contracts Payable				658,526
Accrued Wages and Benefits	795,137	5,025		
Compensated Absences Payable	33,588			
Intergovernmental Payable	133,020			
Interfund Payable		5,000		
Retainage Payable				12,804
Retainage Payable from Restricted Assets				271,076
Deferred Revenue	1,715,233	43,802	293,459	77,661
Due to Students				
Matured Bonds Payable			5,000	
General Obligation Bonds Payable				
Total Liabilities	<u>2,710,980</u>	<u>60,439</u>	<u>298,459</u>	<u>1,020,067</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	7,299	136	1,286	328
Reserved for Budget Stabilization	19,755			
Reserved for Bus Purchase	23,586			
Reserved for Encumbrances	156,656	19,480		1,806,091
Unreserved	590,714	137,306	275,193	1,512,556
Total Fund Equity and Other Credits	<u>798,010</u>	<u>156,922</u>	<u>276,479</u>	<u>3,318,975</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$3,508,990</u>	<u>\$217,361</u>	<u>\$574,938</u>	<u>\$4,339,042</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			
\$33,400	\$20,848			\$6,135,768 5,000
				2,126,669
402				6,910
2,753				68,238
				6,971
				16,400
				17,361
14,653				14,653
776				776
				43,341
				271,076
40,551		\$29,612,629		29,653,180
			\$276,479	276,479
			4,679,637	4,679,637
<u>92,535</u>	<u>20,848</u>	<u>29,612,629</u>	<u>4,956,116</u>	<u>43,322,459</u>
1,699				42,313
				658,526
14,654				814,816
4,924			390,738	429,250
9,033			45,969	188,022
11,400				16,400
				12,804
				271,076
				2,130,155
	15,064			15,064
				5,000
			4,519,409	4,519,409
<u>41,710</u>	<u>15,064</u>		<u>4,956,116</u>	<u>9,102,835</u>
		29,612,629		29,612,629
50,825				50,825
				9,049
				19,755
				23,586
				1,982,227
	5,784			2,521,553
<u>50,825</u>	<u>5,784</u>	<u>29,612,629</u>		<u>34,219,624</u>
<u>\$92,535</u>	<u>\$20,848</u>	<u>\$29,612,629</u>	<u>\$4,956,116</u>	<u>\$43,322,459</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Property Taxes	\$1,757,568	\$31,788	\$309,422	\$78,114		\$2,176,892
Payment in Lieu of Taxes	29,505					29,505
Intergovernmental	4,947,497	138,066	39,245	5,792,685		10,917,493
Interest	79,839			167,755		247,594
Tuition and Fees	84,325					84,325
Extracurricular Activities	168,819	241,440				410,259
Gifts and Donations	6,873					6,873
Miscellaneous	68,135	5,831		265,584	\$4,785	344,335
Total Revenues	7,142,561	417,125	348,667	6,304,138	4,785	14,217,276
Expenditures:						
Current:						
Instruction:						
Regular	3,878,676	69,150		1,500		3,949,326
Special	651,610	78,893				730,503
Vocational	176,709					176,709
Other	6,072					6,072
Support Services:						
Pupils	241,067	8,304				249,371
Instructional Staff	480,262	814				481,076
Board of Education	22,352					22,352
Administration	555,378					555,378
Fiscal	195,719	717	6,991	1,786		205,213
Operation and Maintenance of Plant	496,231					496,231
Pupil Transportation	164,055					164,055
Central	3,068					3,068
Non-Instructional Services	829					829
Extracurricular Activities	318,619	226,128				544,747
Capital Outlay	206,709			11,292,127		11,498,836
Debt Service:						
Principal Retirement			135,000			135,000
Interest and Fiscal Charges			249,137			249,137
Total Expenditures	7,397,356	384,006	391,128	11,295,413		19,467,903
Excess of Revenues Over (Under) Expenditures	(254,795)	33,119	(42,461)	(4,991,275)	4,785	(5,250,627)
Other Financing Sources:						
Sale of Fixed Assets	7,982					7,982
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(246,813)	33,119	(42,461)	(4,991,275)	4,785	(5,242,645)
Fund Balances at Beginning of Year	1,044,823	123,803	318,940	8,310,250	999	9,798,815
Fund Balances at End of Year	\$798,010	\$156,922	\$276,479	\$3,318,975	\$5,784	\$4,556,170

See Accompanying Notes to the General Purpose Financial Statements.

This page intentionally left blank.

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NONGAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,702,845	\$1,761,653	\$58,808	\$25,840	\$31,864	\$6,024
Payment in Lieu of Taxes	29,505	29,505				
Intergovernmental	4,282,161	4,894,547	612,386	94,053	70,482	(23,571)
Interest	80,000	76,786	(3,214)			
Tuition and Fees	46,000	84,625	38,625			
Extracurricular Activities	173,000	168,819	(4,181)	267,700	240,236	(27,464)
Gifts and Donations	2,000	6,873	4,873	12,000		(12,000)
Miscellaneous	87,495	51,336	(36,159)	9,000	5,831	(3,169)
Total Revenues	6,403,006	7,074,144	671,138	408,593	348,413	(60,180)
Expenditures:						
Current:						
Instruction:						
Regular	3,890,100	3,901,814	(11,714)	111,185	75,317	35,868
Special	652,100	644,321	7,779	17,533	17,533	
Vocational	180,800	177,703	3,097			
Other	7,000	6,072	928			
Support Services:						
Pupils	233,000	231,217	1,783	11,000	8,304	2,696
Instructional Staff	465,450	460,285	5,165	3,690	814	2,876
Board of Education	27,500	25,609	1,891			
Administration	546,200	540,433	5,767			
Fiscal	206,300	198,952	7,348	1,000	717	283
Operation and Maintenance of Plant	507,300	497,856	9,444			
Pupil Transportation	190,400	158,720	31,680			
Central	3,800	3,328	472			
Non-Instructional Services	1,000	829	171			
Extracurricular Activities	347,050	319,194	27,856	283,600	246,529	37,071
Capital Outlay	299,000	295,041	3,959	50,000		50,000
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	7,557,000	7,461,374	95,626	478,008	349,214	128,794
Excess of Revenues						
Under Expenditures	(1,153,994)	(387,230)	766,764	(69,415)	(801)	68,614
Other Financing Sources (Uses):						
Sale of Fixed Assets		7,982	7,982			
Refund of Prior Year Expenditures		21,253	21,253	2,717	2,717	
Proceeds from Sale of Bonds						
Advances In					5,000	5,000
Advances Out		(15,000)	(15,000)			
Total Other Financing Sources (Uses)		14,235	14,235	2,717	7,717	5,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,153,994)	(372,995)	780,999	(66,698)	6,916	73,614
Fund Balances (Deficit)						
at Beginning of Year	1,764,676	1,764,676		100,512	100,512	
Prior Year Encumbrances Appropriated	129,969	129,969		37,331	37,331	
Fund Balances at End of Year	\$740,651	\$1,521,650	\$780,999	\$71,145	\$144,759	\$73,614

See Accompanying Notes to the General Purpose Financial Statements.

Governmental Fund Types						Fiduciary Fund Type		
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)
\$305,290	\$310,252	\$4,962	\$66,816	\$78,296	\$11,480			
34,000	39,245	5,245	5,640,168	5,797,364	157,196			
			190,000	180,926	(9,074)			
			266,000	265,634	(366)			
339,290	349,497	10,207	6,162,984	6,322,220	159,236			
			96,168	79,873	16,295			
			1,000		1,000			
8,500	6,991	1,509	3,000	1,786	1,214			
			120,000	35,282	84,718			
			40,000		40,000			
			15,156,000	14,571,940	584,060			
135,000	135,000							
270,000	249,137	20,863						
413,500	391,128	22,372	15,416,168	14,688,881	727,287			
(74,210)	(41,631)	32,579	(9,253,184)	(8,366,661)	886,523			
			2,494,000		(2,494,000)		\$4,785	\$4,785
			2,494,000		(2,494,000)		4,785	4,785
(74,210)	(41,631)	32,579	(6,759,184)	(8,366,661)	(1,607,477)		4,785	4,785
316,824	316,824		(2,033,752)	(2,033,752)		999	999	
			11,894,099	11,894,099				
\$242,614	\$275,193	\$32,579	\$3,101,163	\$1,493,686	(\$1,607,477)	\$999	\$5,784	\$4,785

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
Operating Revenues:	
Sales	\$198,676
Tuition	865
Other Operating Revenues	96
Total Operating Revenues	199,637
Operating Expenses:	
Salaries	81,468
Fringe Benefits	10,693
Purchased Services	1,056
Materials and Supplies	5,724
Cost of Sales	168,595
Depreciation	2,162
Total Operating Expenses	269,698
Operating Loss	(70,061)
Non-Operating Revenues:	
Federal Donated Commodities	36,719
Operating Grants	31,874
Interest	747
Total Non-Operating Revenues	69,340
Net Loss	(721)
Fund Equity/Retained Earnings at Beginning of Year - Restated Note 3	51,546
Fund Equity/Retained Earnings at End of Year	\$50,825

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$199,295
Cash Payments for Salaries	(77,622)
Cash Payments for Fringe Benefits	(12,216)
Cash Payments for Goods and Services	(150,565)
Cash Received from Other Revenues	96
Net Cash Used for Operating Activities	(41,012)
 Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	29,121
Cash Received from Advances In	10,000
Net Cash Provided by Noncapital Financing Activities	39,121
 Cash Flows from Investing Activities:	
Cash Received from Interest	747
 Net Decrease in Cash and Cash Equivalents	(1,144)
Cash and Cash Equivalents at Beginning of Year	34,544
Cash and Cash Equivalents at End of Year	\$33,400
 Reconciliation of Operating Loss to Net	
Cash Used for Operating Activities:	
Operating Loss	(\$70,061)
 Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities	
Depreciation	2,162
Donated Commodities Received During Year	36,719
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(246)
Increase in Inventory Held for Resale	(9,554)
Increase in Materials and Supplies Inventory	(136)
Decrease in Accounts Payable	(2,219)
Increase in Accrued Wages and Benefits	3,852
Decrease in Compensated Absences Payable	(132)
Decrease in Intergovernmental Payable	(1,397)
Net Cash Used for Operating Activities	(\$41,012)

Non-Cash Transactions:

During fiscal year 2002, the School District received donated commodities in the Food Service enterprise fund, in the amount of \$36,719.

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 BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$215,400	\$198,430	(\$16,970)
Tuition	3,000	865	(2,135)
Operating Grants	21,000	29,121	8,121
Interest		747	747
Other Revenues		96	96
Total Revenues	239,400	229,259	(10,141)
Expenses:			
Salaries	80,900	77,622	3,278
Fringe Benefits	12,300	12,216	84
Purchased Services	3,500	1,056	2,444
Materials and Supplies	158,300	150,610	7,690
Capital Outlay	7,000	5,220	1,780
Total Expenses	262,000	246,724	15,276
Excess of Revenues Over/(Under) Expenses Before Advances	(22,600)	(17,465)	5,135
Advances In		10,000	10,000
Excess of Revenues Over/(Under) Expenses and Advances	(22,600)	(7,465)	15,135
Fund Balances at Beginning of Year	20,019	20,019	
Prior Year Encumbrances Appropriated	14,525	14,525	
Fund Balances at End of Year	\$11,944	\$27,079	\$15,135

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, 2002**

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 federal guidelines.

The School District is located in Mercer and Darke Counties. The School District is the 434th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by thirty-seven classified employees, seventy-seven certified teaching personnel, and eight administrative employees who provide services to one thousand nine hundred seventy 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 20 and 21 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, 2002
(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).

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:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The full accrual basis of accounting is followed for the enterprise funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Nonexchange 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 nonexchange 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, 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 was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 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, expenses are recognized at the time they are incurred.

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

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 by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object 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, 2002
(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 on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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. 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. Total of expenditures and encumbrances may not exceed the appropriation totals at any legal 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 as well as the School District's escrow accounts, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent", and "Cash and Cash Equivalents with Escrow Agents", respectively.

For fiscal year 2002, the School District's investments included repurchase agreements, which are reported at cost, federal agency securities, and mutual funds. Federal agency securities and mutual funds are reported at fair value, which is based on quoted market price or current share price.

The School District allocates interest earnings according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2002 was \$79,839, which included \$19,026 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, 2002, 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventory is stated at the lower of cost or market on a first-in first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

G. Restricted Assets

Restricted assets in the General and Capital Project Funds represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund represent the Bureau of Workmens Compensation refunds whose use is restricted by H. B. 345, and unexpended revenues restricted for the purchase of school buses. Restricted assets in the Capital Project Fund represent amounts held by an escrow agent for retainage.

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.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 the District's portion of Bureau of Workers Compensation refunds.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. CORRECTION OF AN ERROR

For fiscal year 2002, the School District is recognizing donated commodities as revenue when they are received. In prior years, the School District reported donated commodities as revenue when used. For the enterprise fund, retained earnings increased \$3,673 from \$47,873 to \$51,546.

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the Title I special revenue fund had a deficit fund balance, in the amount of \$3,600. 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 \$12,049, which was the result of accumulated operating losses from prior years.

B. Compliance

The General Fund had expenditures in excess of appropriations for regular instruction/fringe benefits, in the amount of \$49,745.

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 Budgetary Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Funds and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. 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).
4. 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				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$246,813)	\$33,119	(\$42,461)	(\$4,991,275)
Increase (Decrease) Due To:				
Revenue Accruals:				
Accrued FY 2001, Received in Cash FY 2002	18,963	5,427	2,116	11,676
Accrued FY 2002, Not Yet Received in Cash	(63,055)	(3,838)	(1,286)	(7,299)
Expenditure Accruals:				
Accrued FY 2001, Paid in Cash FY 2002	(879,120)	(19,467)	0	(1,602,876)
Accrued FY 2002, Not Yet Paid in Cash	995,747	11,637	0	942,406
Cash Adjustments:				
Unrecorded Activity FY 2001	0	0	0	36,798
Unrecorded Activity FY 2002	(3,072)	0	0	(294,169)
Prepaid Items	(4,507)	0	0	386
Advances In	0	5,000	0	0
Advances Out	(15,000)	0	0	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(176,138)	(24,962)	0	(2,462,308)
Budget Basis	(\$372,995)	\$6,916	(\$41,631)	(\$8,366,661)

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses	
Enterprise Funds	
<u>GAAP Basis</u>	(\$ 721)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	156
Accrued FY 2002, Not Yet Received in Cash	(3,155)
Expense Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(30,206)
Accrued FY 2002, Not Yet Paid in Cash	30,310
Inventory Held for Resale	(9,554)
Materials and Supplies Inventory	(136)
Depreciation Expense	2,162
Advances In	10,000
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(6,321)
Budget Basis	(\$ 7,465)

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. 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
8. 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 \$5,527 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, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS

At fiscal year end, the carrying amount of the School District's deposits was \$203,362 and the bank balance was \$321,076. Of the bank balance, \$150,000 was covered by federal depository insurance and \$171,076 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

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 Bonds	\$450,065	\$0	\$450,065	\$450,065
Federal Home Loan Bank Bonds	1,070,978	0	1,070,978	1,070,978
Repurchase Agreements	0	4,703,814	4,703,814	4,704,046
	<u>\$1,521,043</u>	<u>\$4,703,814</u>	6,224,857	6,225,089
Mutual Funds			21,207	21,207
Totals			<u>\$6,246,064</u>	<u>\$6,246,296</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	\$6,455,185	\$0
Cash on Hand	(5,527)	0
Investments:		
Federal National Mortgage Association Bonds	(450,065)	450,065
Federal Home Loan Bank Bonds	(1,070,978)	1,070,978
Repurchase Agreements	(4,704,046)	4,704,406
Mutual Funds	(21,207)	21,207
GASB Statement No. 3	<u>\$203,362</u>	<u>\$6,246,296</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(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 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, 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 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2002, on the value as of December 31, 2001. 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, 2002, are available to finance fiscal year 2002 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, 2002, and for which there was 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 fiscal 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, 2002, was \$7,299 in the General Fund, \$136 in the Classroom Facilities special revenue fund, \$1,286 in the Bond Retirement debt service fund, and \$328 in the Permanent Improvement capital projects fund. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second - Half Collections		2002 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$60,838,700	86.74%	\$63,364,770	86.98%
Public Utility	3,266,520	4.66	2,938,250	4.03
Tangible Personal	6,031,490	8.60	6,546,237	8.99
Total Assessed Value	\$70,136,710	100.00%	\$72,849,257	100.00%
Tax rate per \$1,000 of assessed valuation	\$38.10		\$37.55	

8. PAYMENT IN LIEU OF TAXES

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

9. RECEIVABLES

Receivables at June 30, 2002, 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 \$6,910. A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Vocational Education	\$1,066
CAFS	18,229
Transportation Reimbursement	33,655
Total General Fund	52,950
Special Revenue Funds	
Eisenhower	11
Title I	509
Title VI-R	12,015
Total Special Revenue Funds	12,535
Enterprise Fund	
Food Service	
Federal Lunch Subsidy	2,753
Total Intergovernmental Receivables	\$68,238

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$91,670
Less Accumulated Depreciation	(51,119)
Net Fixed Assets	\$40,551

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Land and Improvements	\$824,127	\$8,766	\$0	\$832,893
Buildings and Improvements	9,154,606	155,899	0	9,310,505
Furniture, Fixtures, and Equipment	1,881,695	165,969	56,063	1,991,601
Vehicles	565,180	0	0	565,180
Construction in Progress	5,280,778	11,631,672	0	16,912,450
Totals	\$17,706,386	\$11,962,306	\$56,063	\$29,612,629

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2002, the General Fund had an interfund receivable, in the amount of \$16,400. The Athletic special revenue fund and the Uniform School Supplies enterprise fund had an interfund payable, in the amount of \$5,000 and \$11,400 respectively.

12. 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 2002, 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)	\$26,842,400
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists	2,000,000

Coverage provided by Great American Alliance Insurance is as follows:

General Liability (\$1,000 deductible)	
Per Occurrence	1,000,000
Aggregate	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, 2002
(Continued)**

12. 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 2002, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (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 (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.

13. CONTRACTUAL COMMITMENTS

At June 30, 2002, the School District had the following contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Remaining Amount</u>
Keen & Cross	Building Improvements	\$ 15,530
Peterson Construction	Building Improvements	971,521
Ohio Plumbing & Electric	Building Improvements	47,733
Cincinnati Dayton Fire Protection	Building Improvements	38,400
Vaughn Industries	Building Improvements	165,615
Woolace Electric Corp.	Building Improvements	174,836
St. Henry Tile Co.	Building Improvements	36,282
Fanning/Howey and Assoc.	Building Improvements	66,788
Bruns Building and Development	Building Improvements	529,170
Sidney Electric	Building Improvements	62,349
Effective Office Supplies	Building Improvements	257,042
B&B Wrecking and Excavating	Building Improvements	163,057
Henkels and McCoy	Building Improvements	<u>177,720</u>
Total Commitments		<u>\$2,706,043</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. 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 2002. 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, 2002, 2001, and 2000, were \$352,484, \$333,240, and \$192,095, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$62,914, 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. 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, 2002, 2001, and 2000, were \$42,197, \$29,496, and \$36,576, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$21,002, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2002, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. 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 2002, 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 was \$166,966. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$75,299 for fiscal year 2002.

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, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

16. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. OTHER EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated 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.

17. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>
General Long-Term Obligations					
General Obligation Bonds					
2000 School Improvement					
Serial and Term Bonds	4.4 - 5.75%	\$2,410,000	\$0	\$70,000	\$2,340,000
Capital Appreciation Bonds	15.000	127,034	7,375	0	134,409
1995 School Improvement					
Serial and Term Bonds	5.613	<u>2,110,000</u>	<u>0</u>	<u>65,000</u>	<u>2,045,000</u>
Total General Obligation Bonds		4,647,034	7,375	135,000	4,519,409
Compensated Absences Payable		444,962	0	54,224	390,738
Intergovernmental Payable		<u>46,252</u>	<u>45,969</u>	<u>46,252</u>	<u>45,969</u>
Total General Long-Term Obligations		<u>\$5,138,248</u>	<u>\$53,344</u>	<u>\$235,476</u>	<u>\$4,956,116</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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

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:

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 2002, \$7,375 was accreted for total bond value of \$134,409.

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
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. 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 \$2,313,503 with an unvoted debt margin of \$72,849 at June 30, 2002.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Serial and Term Bonds</u>	<u>Capital Appreciation</u>	<u>1995 General Obligation Bonds</u>	<u>Interest</u>	<u>Total</u>
2003	\$75,000	\$ 0	\$70,000	\$241,210	\$386,210
2004	80,000	0	70,000	234,335	384,335
2005	85,000	0	75,000	226,955	386,955
2006	85,000	0	80,000	219,185	384,185
2007	90,000	0	85,000	210,723	385,723
2008 - 2012	410,000	40,786	485,000	1,092,880	2,028,666
2013 - 2017	655,000	0	675,000	599,850	1,929,850
2018 - 2022	860,000	0	505,000	193,794	1,558,794
	<u>\$2,340,000</u>	<u>\$40,786</u>	<u>\$2,045,000</u>	<u>\$3,018,932</u>	<u>\$7,444,718</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

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

18. 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, 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 2002.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2001	(\$54,388)	(\$2,432,344)	\$19,755
Current Year Set Aside Requirement	141,399	141,399	0
Current Year Offsets	0	(110,044)	
Qualifying Expenditures	<u>(327,762)</u>	<u>0</u>	<u>0</u>
Amount Carried Forward to Fiscal Year 2003	<u>(\$240,751)</u>	<u>(\$2,400,989)</u>	<u>\$19,755</u>
Set Aside Reserve Balance June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$19,755</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirement in future fiscal years.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. 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, 2002:

	Food Service	Uniform School Supplies	Adult Education	Total
Operating Revenues	\$163,485	\$35,287	\$865	\$199,637
Depreciation Expense	2,162	0	0	2,162
Operating Income (Loss)	(63,368)	(6,958)	265	(70,061)
Federal Donated Commodities	36,719	0	0	36,719
Operating Grants	31,874	0	0	31,874
Net Income (Loss)	5,972	(6,958)	265	(721)
Net Working Capital	20,785	(12,049)	6,462	15,198
Total Assets	85,023	1,050	6,462	92,535
Total Equity (Deficit)	56,412	(12,049)	6,462	50,825
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	0	6,321	0	6,321

20. 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. During fiscal year 2002, the School District paid \$1,414 to NOACSC for various services. 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 (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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (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.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

21. INSURANCE POOLS

A. Northwest Ohio Area Computer Services Cooperative 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 (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 (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, 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.

22. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

23. 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, 2002.

B. Litigation

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of St. Henry Consolidated Local School District, Mercer County, Ohio, (School District) as of and for the years ended June 30, 2003 and June 30, 2002, and have issued our report thereon dated January 29, 2004, wherein, for fiscal year 2003, we noted the School District changed the capitalization threshold amount for reporting capital assets. 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 School 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 are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School 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 School District in a separate letter dated January 29, 2004.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

St. Henry Consolidated Local School District
Mercer County
Independent Accountants' 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 Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 29, 2004

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

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002**

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

FINDING NUMBER 2003-001

Ohio Rev. Code Section 135.14(E) allows the treasurer to enter into a written repurchase agreement with any eligible institution, or any eligible dealer under the terms of which agreement the treasurer or governing board purchases, and such institution or dealer agrees unconditionally to repurchase any of the securities listed in divisions (B) (1) to (5). All securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Ohio Rev. Code Section 135.14(C) and OAG Opinion 99-026 (which specifically addresses repurchase agreements) state that nothing in the classifications of eligible obligations set forth in divisions (B) (1) to (7) of Section 135.14 shall be construed to authorize any investment in a derivative, and no treasurer or governing board shall invest in a derivative. For purposes of this division, "derivative" means a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself. Any security, obligation, trust account, or other instrument that is created from an issue of the United States treasury or is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument. An eligible investment described in this section with a variable interest rate payment, based upon a single interest payment or single index comprised of other eligible investments provided for in division (B)(1) or (2) of this section, is not a derivative, provided that such variable rate investment has a maximum maturity of two years.

During the audit period investments ranging from 75 to 98 percent of available cash balances were made in repurchase agreements, which were government agency collateralized mortgage obligations which are considered derivatives, pursuant to this section.

The depository should be notified that repurchase agreements may not be invested in securities that are considered derivatives by the Ohio Revised Code.

FINDING NUMBER 2003-002

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 on or before March 1 of each year for the fiscal year ending on the preceding June 30.

There was no evidence that the District had filed the necessary annual financial information and operating data for the fiscal years ended June 30, 2003 and June 30, 2002 with the SID.

The failure to file the necessary reports with the required agencies could result in the loss of tax exempt status on the bond issues, or the possible recall of the bonds.

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, 2003 AND JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-001	Ohio Rev. Code Section 5705.41(D)	No	Partially Corrected – District has implemented procedures which have significantly addressed this issue – noncompliance reported in the management letter.
2001-002	Ohio Rev. Code Section 135.14 & 133.03(A)(1)	No	Not Corrected – revised in current audit, refer to finding number 2003-001 – Ohio Rev. Code Section 135.14(E) Pursuant to Section 135.14(C) and OAG Opinion 99-026.
2001-003	17 C.F.R. Section 240.15c2-12 and Continuing Disclosure Certificate for the 2000 Classroom Facilities Bond	No	Not Corrected – repeated in current audit, refer to finding number 2003-002.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 30, 2004**