



Mary Taylor, CPA
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements – For the Fiscal Year Ended June 30, 2007:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2007	11
Statement of Activities – Cash Basis – For the fiscal year ended June 30, 2007	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds – June 30, 2007.....	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds - For the fiscal year ended June 30, 2007.....	14
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – General Fund - For the fiscal year ended June 30, 2007.....	15
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds June 30, 2007	16
Basic Financial Statements – For the Fiscal Year Ended June 30, 2006:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2006.....	17
Statement of Activities – Cash Basis – For the fiscal year ended June 30, 2006	18
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds - June 30, 2006	19
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds - For the fiscal year ended June 30, 2006.....	20
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – General Fund - For the fiscal year ended June 30, 2006.....	21
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds June 30, 2006	22
Notes to the Basic Financial Statements – June 30, 2007 and 2006	23

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By <i>Governmental Auditing Standards</i>	47
Schedule of Findings.....	49
Schedule of Prior Audit Findings.....	50



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, (the School District), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, as of June 30, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

March 17, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)**

The discussion and analysis of the St. Henry Consolidated Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007 and 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 and 2006 are as follows:

- In 2007, General Receipts accounted for \$10,103,735, or 86% of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,663,957 or 14% of total receipts of \$11,767,692. In 2006, General Receipts accounted for \$8,492,953 or 85% of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,478,585 or 15% of total receipts of \$9,971,539.
- Total program disbursements in 2007 were \$11,273,717 while total program disbursements in 2006 were \$9,028,495.
- In 2007, net assets increased in total, \$492,975 and in 2006 net assets increased in total, \$937,044.
- In 2007, the School District refunded a portion of its 2000 Bond issue, at a present value savings of \$124,856.

Using this Annual Report

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

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting the funds most significant funds with all other non-major funds presented in total in one column. In the case of the St. Henry Consolidated Local School District, the general fund is by far the most significant fund.

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

Basis of Accounting

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007 and 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

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

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 7 for fiscal years 2007 and 2006. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. For fiscal year 2007, the School District's major governmental funds are the General Fund, Debt Service and the OSFC Building Fund. For fiscal year 2006, the School District's major governmental funds are the General Fund and the OSFC Building Fund.

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

Reporting the District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for student organizations and employee insurance deductions. The School District's fiduciary activities are reported in the Statement of Fiduciary Net Assets on pages 16 & 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

The School District as a Whole

The financial statements for fiscal years 2007, 2006, and 2005 were prepared on the cash basis utilizing the GASB Statement No. 34 format.

Table 1 provides a summary of the School District's net assets for fiscal years 2007, 2006, and 2005. Due to business type activities being reclassified to governmental type activities in fiscal year 2006 and presenting the restriction for set asides in 2007 and 2006, the 2005 amounts were restated to be comparative.

(Table 1)
Net Assets – Cash Basis

	Governmental Activities		
	2007	2006	2005 (Restated)
Assets			
Cash and Cash Equivalents	\$4,497,467	\$4,004,492	\$3,067,448
Total Assets	<u>4,497,467</u>	<u>4,004,492</u>	<u>3,067,448</u>
Net Assets			
Restricted for:			
Debt Service	185,795	137,039	138,953
Capital Outlay	1,015,733	1,113,380	1,058,995
Other Purposes	214,706	207,874	202,156
Set-Asides	29,223	23,271	19,755
Unrestricted	<u>3,052,010</u>	<u>2,522,928</u>	<u>1,647,589</u>
Total Net Assets	<u>\$4,497,467</u>	<u>\$4,004,492</u>	<u>\$3,067,448</u>

Table 2 shows the changes in net assets for fiscal years 2007, 2006, and 2005, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems. The fiscal year 2005 amounts are restated to be comparative as the food services and non-instructional services were classified as business type activities in 2005 and classified as governmental type activities in 2006.

(Table 2)
Change in Net Assets

	Governmental Activities		
	2007	2006	2005 (Restated)
Receipts			
Program Receipts			
Charges for Services	\$ 704,865	\$ 747,919	\$ 736,278
Operating Grants	903,300	730,666	738,618
Capital Grants	55,792		

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

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

	Governmental Activities		
	2007	2006	2005 (Restated)
General Receipts			
Property Taxes	2,674,289	2,671,595	2,191,963
Payments in Lieu of Taxes	31,420	24,895	25,645
Grants and Entitlements	5,430,484	5,625,788	5,423,087
Proceeds from the Sale of Assets	13,767	1,554	3,500
Interest	207,752	140,603	66,714
Proceeds from Sale of Bonds			1,749,999
Proceeds from Refunding Bonds	1,514,998		
Premium on Refunding Bonds	197,121		
Miscellaneous	33,904	28,519	62,901
Total Receipts	11,767,692	9,971,539	10,998,705
Disbursements			
Program Disbursements			
Instruction	5,671,805	5,398,248	5,336,556
Support Services	2,404,702	2,316,063	2,161,913
Non-Instructional	268,571	241,799	249,762
Extracurricular	615,266	582,906	574,203
Capital Outlay	244,311	111,936	49,140
Debt Service	2,069,062	377,543	2,121,962
Adult Education			949
Total Disbursements	11,273,717	9,028,495	10,494,485
Advances Out	(1,000)	(6,000)	
Increase in Net Assets	\$ 492,975	\$ 937,044	\$ 504,220

The School District total 2007 receipts increased 18 percent from the previous year, while 2006 decreased 9% from the previous year. The increase in 2007 is largely due to the issue of refunding bonds and greater interest earnings, while the decrease in 2006 was largely due to bond proceeds received in 2005. The payment of the bonds also caused an increase in disbursements in 2007 and a decrease in disbursement in 2006 from the previous years.

Governmental Activities

Several revenue sources fund the School District's governmental activities with grants and entitlements being the largest contributor. Grants and entitlement generated over \$5.4 million in 2007 and approximately \$5.6 million in 2006. Property tax levies were also a large revenue generator with approximately \$2.7 million in 2007 and 2006. With the reliance on the taxes and intergovernmental receipts, the School District monitors both of these revenue sources very closely for fluctuations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2007, 2006, and 2005 comparatively. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. Due to the reclassification of food services revenues and non-instructional services expenses in fiscal year 2006 from business type to governmental type, the fiscal year 2005 amounts for those items have been restated to make the statement comparative.

**(Table 3)
Governmental Activities**

	2007		2006		2005 (Restated)	
	Total Cost Of Service	Net Cost Of Service	Total Cost Of Service	Net Cost Of Service	Total Cost Of Service	Net Cost Of Service
Instruction	\$ 5,671,805	\$4,880,997	\$5,398,248	\$4,631,869	\$ 5,336,556	\$4,618,716
Support Services:						
Pupil and Instructional Staff	553,279	551,280	556,362	552,949	523,568	499,124
Board of Education, Administration and Fiscal	886,296	881,296	873,075	868,075	800,724	789,665
Operation and Maintenance Of Plant	618,197	614,505	680,706	676,451	598,775	588,565
Pupil Transportation	345,535	322,722	204,667	182,714	237,128	229,626
Central	1,395	1,395	1,253	1,253	1,718	1,663
Operation of Non-Instructional Services	268,571	(33,554)	241,799	(50,460)	476	461
Extracurricular Activities	615,266	237,570	582,906	197,580	574,203	173,145
Capital Outlay	244,311	147,683	111,936	111,936	49,140	44,685
Debt Service	2,069,062	2,005,866	377,543	377,543	2,121,962	2,086,380
Total	\$11,273,717	\$9,609,760	\$9,028,495	\$7,549,910	\$10,244,250	\$9,032,030

Instruction and student support services comprise approximately 55% of governmental program disbursements in fiscal year 2007 and approximately 66% in fiscal year 2006. Board of Education, administration, fiscal and business charges are approximately 8% of total disbursements for 2007 and approximately 10% for 2006. Pupil transportation and the operation/maintenance of facilities accounts for approximately 9% of all governmental program disbursements in 2007 and for approximately 10% in 2006.

The School District's Funds

For fiscal year 2007, the School District had three major governmental funds: the General Fund, OSFC (Ohio School Facilities Construction) Fund and the Debt Service Fund. The assets of these three funds comprise \$3,953,278, or 88% of the \$4,497,467 total governmental assets. In fiscal year 2006, the two major governmental funds were General and the OSFC funds. The assets of these two funds comprise \$3,355,502, or 84% of the \$4,004,492 total governmental assets.

General Fund – The General Fund cash balance at June 30, 2007 was \$3,006,515, which represents approximately 67 percent of total governmental fund cash balances. Receipts of the General Fund comprise \$8,450,541 (72 percent) of the total \$11,765,692 governmental funds' receipts and 70 percent of the total disbursements for the governmental funds. General fund receipts were more than disbursements by \$533,220, indicating that the general fund is not in a deficit spending situation. The change in the General Fund's cash balance was \$536,887 for fiscal year 2007. This change is a result of School District fiscal management so that disbursements do not exceed funding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

The General Fund cash balance at June 30, 2006 was \$2,469,628, which represents approximately 62 percent of total governmental fund cash balances. Receipts of the General Fund comprise \$8,412,097 (84 percent) of the total \$9,971,539 governmental funds' receipts and 83 percent of the total disbursements for the governmental funds. General fund receipts were more than disbursements by \$876,023, indicating that the general fund is not in a deficit spending situation. The change in the General Fund's cash balance was \$884,277 for fiscal year 2006. This change is a result of School District fiscal management so that disbursements do not exceed funding.

OSFC Building Fund – The OSFC Building Fund cash balance at June 30, 2007 was \$760,968, which represents 17 percent of total governmental fund cash balances. Receipts of the OSFC Building Fund comprise \$42,328 (0.4 percent) of total governmental funds' receipts for fiscal year 2007 and 1.5 percent of total disbursements.

The OSFC Building Fund cash balance at June 30, 2006 was \$885,874, which represents 22 percent of total governmental fund cash balances. Receipts of the OSFC Building Fund comprise \$32,604 (.3 percent) of total governmental funds' receipts for fiscal year 2007 and .03 percent of total disbursements.

Debt Service Fund – The Debt Service Fund cash balance at June 30, 2007 was \$185,795, which represents 4.1 percent of total governmental fund cash balances. The Debt Service Fund receipts comprise \$2,124,860 (18 percent) of total governmental funds' receipts and 18 percent of total disbursements. The \$48,756 increase in the Debt Service Fund cash balance was due to sufficiently meeting the debt disbursement requirements with tax receipts.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007 and 2006, the School District did modify its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General fund, fiscal year 2007 budget basis revenue was \$8,436,774, \$65,374 over the final budget estimates of \$8,371,400. Of the increase in 2007 receipts, most was attributable to slightly increased intergovernmental receipts. Actual disbursements were less than final budgeted disbursements by \$131,138 mainly due to the School District cutting instructional costs. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General fund, fiscal year 2006 budget basis revenue was \$8,410,543, \$129,143 over the final budget estimates of \$8,281,400. Of the increase in 2006 receipts, most was attributable to increased intergovernmental receipts and property taxes. Actual disbursements were less than final budgeted disbursements by \$181,201 mainly due to the School District cutting instructional costs. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

Set Asides and Debt Administration

Set Aside

A change in Ohio law required school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks (see Note 13). For fiscal year 2007 and 2006, this amounted to \$167,056 and \$165,336 respectively for each set aside. The School District has qualifying disbursements and/or offsets for capital acquisition totaling \$164,495 for fiscal year 2007 and \$139,105 for fiscal year 2006. For the textbooks, the School District disbursed \$157,985 in fiscal year 2007 and \$123,896 in fiscal year 2006, with a negative balance at June 30, 2007, scheduled to be carried forward into the 2008 fiscal year to offset future reserve requirements.

Debt

During fiscal year 2007, the School District refunded a portion of the 2000 General Obligation bond issue, providing a savings of \$124,856 over the next fifteen years. As of June 30, 2007, the School District had \$3,735,110 in general obligation debt outstanding. See Note 12 for additional details.

Current Issues

The St. Henry Consolidated Local School District continues to receive strong support from the residents of the School District. As the proceeding information shows, the School District relies heavily on its local property tax. In March 2004, the Board of Education submitted an operating levy which was approved by the residents.

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

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

The School District has completed school building additions and renovations in conjunction with the Ohio School Facilities Commission. This \$20,000,000 building project has been essentially complete with approximately \$760,000 unspent monies that remain. These unspent funds will have to be paid back to the Ohio School Facilities Commission after all the project closeout requirements have been accomplished.

Due to low interest rates in the capital bond market, the School District refinanced its 2000 School Improvement Bonds totaling \$1,514,998 with School Improvement Refunding Bonds in September 2006. This capital refinancing saved the District approximately \$125,000 throughout the terms of these bonds. The School District continues its efforts to effectively manage its resources.

School District's Financial Management

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

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$4,497,467
Total Assets	<u>4,497,467</u>
Net Assets	
Restricted for:	
Debt Service	185,795
Capital Outlay	1,015,733
Other Purposes	214,706
Set-asides	29,223
Unrestricted	<u>3,052,010</u>
Total Net Assets	<u>\$4,497,467</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$4,151,077	\$74,878	\$62,803		(\$4,013,396)
Special	1,276,101		483,830		(792,271)
Vocational Education	238,786		12,337		(226,449)
Adult/Continuing Education	3,206		156,960		153,754
Other	2,635				(2,635)
Support Services:					
Pupil	261,891				(261,891)
Instructional Staff	291,388		1,999		(289,389)
Board of Education	38,690				(38,690)
Administration	648,326		5,000		(643,326)
Fiscal	199,280				(199,280)
Operation and Maintenance of Plant	618,197	3,692			(614,505)
Pupil Transportation	345,535		22,813		(322,722)
Central	1,395				(1,395)
Operation of Non-Instructional Services	268,571	248,599	53,526		33,554
Extracurricular Activities	615,266	377,696			(237,570)
Capital Outlay	244,311		40,836	\$55,792	(147,683)
Debt Service:					
Repayment of Principal	1,735,000		63,196		(1,671,804)
Interest	139,478				(139,478)
Issuance Costs	194,584				(194,584)
Total Governmental Activities	\$11,273,717	\$704,865	\$903,300	\$55,792	(9,609,760)
General Receipts					
Property Taxes Levied for:					
General Purposes					2,204,951
Debt Service					349,545
Capital Improvements					84,766
Building Maintenance					35,027
Payments in Lieu of Taxes					31,420
Proceeds from Refunding Bonds					1,514,998
Premium from Refunding Bonds					197,121
Grants and Entitlements not Restricted to Specific Programs					5,430,484
Proceeds from the Sale of Assets					13,767
Interest					207,752
Miscellaneous					33,904
Total General Receipts					10,103,735
Advances					(1,000)
Change in Net Assets					492,975
Net Assets Beginning of Year					4,004,492
Net Assets End of Year					\$4,497,467

See accompanying notes to the financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	OSFC Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$2,977,292	\$760,968	\$185,795	\$544,189	\$4,468,244
Restricted Cash and Cash Equivalents	29,223				29,223
Total Assets	3,006,515	760,968	185,795	544,189	4,497,467
Fund Balances					
Reserved for Encumbrances	118,958	2,425		72,186	193,569
Reserved for Bus Purchases	9,468				9,468
Reserved for Budget Stabilization	19,755				19,755
Unreserved:					
Undesignated, Reported in:					
General Fund	2,858,334				2,858,334
Special Revenue Funds				217,238	217,238
Debt Service Funds			185,795		185,795
Capital Projects Funds		758,543		254,765	1,013,308
Total Fund Balances	\$3,006,515	\$760,968	\$185,795	\$544,189	\$4,497,467

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund	OSFC Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Taxes	\$2,204,951		\$349,545	\$119,793	\$2,674,289
Payments in Lieu of Taxes	31,420				31,420
Intergovernmental	5,864,582		63,196	394,506	6,322,284
Interest	207,752	\$42,328		5,982	256,062
Tuition and Fees	110,927			815	111,742
Rent	3,692				3,692
Extracurricular Activities				377,696	377,696
Gifts and Donations	4,600				4,600
Food Services				222,819	222,819
Miscellaneous	8,850			25,111	33,961
Total Receipts	8,436,774	42,328	412,741	1,146,722	10,038,565
Disbursements					
Current:					
Instruction:					
Regular	4,104,169			46,908	4,151,077
Special	1,043,144			232,957	1,276,101
Vocational Education	234,786			4,000	238,786
Adult/Continuing Education				3,206	3,206
Other	2,635				2,635
Support Services:					
Pupil	253,942			7,949	261,891
Instructional Staff	275,306			16,082	291,388
Board of Education	38,690				38,690
Administration	643,326			5,000	648,326
Fiscal	189,809		7,042	2,429	199,280
Operation and Maintenance of Plant	614,341			3,856	618,197
Pupil Transportation	276,285			69,250	345,535
Central	1,395				1,395
Operation of Non-Instructional Services	351			268,220	268,571
Extracurricular Activities	223,464			391,802	615,266
Capital Outlay	1,911	167,234		75,166	244,311
Debt Service					
Repayment of Principal			1,735,000		1,735,000
Interest			139,478		139,478
Issuance Costs			194,584		194,584
Total Disbursements	7,903,554	167,234	2,076,104	1,126,825	11,273,717
Excess of Receipts Over (Under) Disbursements	533,220	(124,906)	(1,663,363)	19,897	(1,235,152)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	13,767				13,767
Proceeds from Refunding Bonds			1,514,998		1,514,998
Premium from Refunding Bonds			197,121		197,121
Refund of Prior Year Expenditures				1,241	1,241
Advances-In	11,600			16,700	28,300
Advances-Out	(21,700)			(5,600)	(27,300)
Total Other Financing Sources (Uses)	3,667		1,712,119	12,341	1,728,127
Net Change in Fund Balances	536,887	(124,906)	48,756	32,238	492,975
Fund Balances Beginning of Year	2,469,628	885,874	137,039	511,951	4,004,492
Fund Balances End of Year	\$3,006,515	\$760,968	\$185,795	\$544,189	\$4,497,467

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$2,190,000	\$2,200,000	\$2,204,951	\$4,951
Payments in Lieu of Taxes	25,000	25,000	31,420	6,420
Intergovernmental	5,838,200	5,838,200	5,864,582	26,382
Interest	90,000	190,000	207,752	17,752
Tuition and Fees	130,200	110,200	110,927	727
Rent	2,000	2,000	3,692	1,692
Gifts and Donations	4,000	4,000	4,600	600
Miscellaneous	2,000	2,000	8,850	6,850
Total Receipts	<u>8,281,400</u>	<u>8,371,400</u>	<u>8,436,774</u>	<u>65,374</u>
Disbursements				
Current:				
Instruction				
Regular	4,257,600	4,284,100	4,189,405	94,695
Special	887,600	1,048,000	1,043,796	4,204
Vocational Education	218,500	253,500	259,221	(5,721)
Other	4,000	4,000	2,635	1,365
Support Services				
Pupil	259,950	259,950	254,230	5,720
Instructional Staff	276,000	276,000	276,848	(848)
Board of Education	35,400	40,400	38,690	1,710
Administration	642,400	642,400	643,326	(926)
Fiscal	212,900	212,900	191,559	21,341
Operation and Maintenance of Plant	618,700	618,700	616,846	1,854
Pupil Transportation	203,800	273,800	278,835	(5,035)
Central	2,500	2,500	1,395	1,105
Operation of Non-Instructional Services	500	500	351	149
Extracurricular Activities	234,400	234,400	223,464	10,936
Capital Outlay				
Architecture and Engineering	2,500	2,500	1,911	589
Total Disbursements	<u>7,856,750</u>	<u>8,153,650</u>	<u>8,022,512</u>	<u>131,138</u>
Excess of Receipts Over Disbursements	<u>424,650</u>	<u>217,750</u>	<u>414,262</u>	<u>196,512</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,500	1,500	13,767	12,267
Advances-In			11,600	11,600
Advances-Out			(21,700)	(21,700)
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>1,500</u>	<u>3,667</u>	<u>2,167</u>
Net Change in Fund Balance	426,150	219,250	417,929	198,679
Fund Balance - Beginning of Year	2,430,249	2,430,249	2,430,249	
Prior Year Encumbrances Appropriated	<u>39,379</u>	<u>39,379</u>	<u>39,379</u>	
Fund Balance - End of Year	<u>\$2,895,778</u>	<u>\$2,688,878</u>	<u>\$2,887,557</u>	<u>\$198,679</u>

See accompanying notes to the financial statements.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency</u>
Assets	
Cash and Cash Equivalents	\$35,251
Total Assets	<u>35,251</u>
Net Assets	
Held in Trust for Employees	82
Held in Trust for Students	35,169
Total Net Assets	<u>\$35,251</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$4,004,492
Total Assets	<u>4,004,492</u>
Net Assets	
Restricted for:	
Debt Service	137,039
Capital Outlay	1,113,380
Other Purposes	207,874
Set-Asides	23,271
Unrestricted	<u>2,522,928</u>
Total Net Assets	<u>\$4,004,492</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$4,157,873	\$111,688	\$70,064	(\$3,976,121)
Special	1,058,891		464,480	(594,411)
Vocational Education	173,564		5,100	(168,464)
Adult/Continuing Education	7,920	1,130	113,917	107,127
Support Services:				
Pupil	258,840			(258,840)
Instructional Staff	297,522		3,413	(294,109)
Board of Education	32,819			(32,819)
Administration	617,916		5,000	(612,916)
Fiscal	222,340			(222,340)
Operation and Maintenance of Plant	680,706	4,255		(676,451)
Pupil Transportation	204,667		21,953	(182,714)
Central	1,253			(1,253)
Operation of Non-Instructional Services	241,799	245,520	46,739	50,460
Extracurricular Activities	582,906	385,326		(197,580)
Capital Outlay	111,936			(111,936)
Debt Service:				
Repayment of Principal	190,000			(190,000)
Interest	187,543			(187,543)
Total Governmental Activities	<u>\$9,028,495</u>	<u>\$747,919</u>	<u>\$730,666</u>	<u>(7,549,910)</u>

General Receipts

Property Taxes Levied for:

General Purposes	2,205,591
Debt Service	344,188
Capital Improvements	86,197
Ohio School Classroom Facilities	35,619
Payments in Lieu of Taxes	24,895
Grants and Entitlements not Restricted to Specific Programs	5,625,788
Proceeds from the Sale of Assets	1,554
Interest	140,603
Miscellaneous	28,519
Total General Receipts	<u>8,492,954</u>

Advances

	<u>(6,000)</u>
Change in Net Assets	937,044
Net Assets Beginning of Year (Restated - See Note 5)	<u>3,067,448</u>
Net Assets End of Year	<u><u>\$4,004,492</u></u>

See accompanying notes to the financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	OSFC Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$2,446,357	\$885,874	\$648,990	\$3,981,221
Restricted Cash and Cash Equivalents	23,271			23,271
Total Assets	2,469,628	885,874	648,990	4,004,492
Fund Balances				
Reserved for Encumbrances	39,379	8,125	25,224	72,728
Reserved for Bus Purchases	3,516			3,516
Reserved for Budget Stabilization	19,755			19,755
Unreserved:				
Undesignated, Reported in:				
General Fund	2,406,978			2,406,978
Special Revenue Funds			258,202	258,202
Debt Service Funds			137,039	137,039
Capital Projects Funds		877,749	228,525	1,106,274
Total Fund Balances	\$2,469,628	\$885,874	\$648,990	\$4,004,492

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Taxes	\$2,205,591		\$466,004	\$2,671,595
Payments in Lieu of Taxes	24,895			24,895
Intergovernmental	5,919,882		424,357	6,344,239
Interest	104,397	\$32,604	3,602	140,603
Tuition and Fees	143,761		1,130	144,891
Rent	4,255			4,255
Extracurricular Activities			385,327	385,327
Gifts and Donations	5,300			5,300
Food Services			220,339	220,339
Miscellaneous	2,462		26,079	28,541
Total Receipts	<u>8,410,543</u>	<u>32,604</u>	<u>1,526,838</u>	<u>9,969,985</u>
Disbursements				
Current:				
Instruction:				
Regular	4,088,638		69,235	4,157,873
Special	837,509		221,382	1,058,891
Vocational Education	169,364		4,200	173,564
Adult/Continuing Education	7,920			7,920
Support Services:				
Pupil	251,680		7,160	258,840
Instructional Staff	290,041		7,481	297,522
Board of Education	32,819			32,819
Administration	612,916		5,000	617,916
Fiscal	211,999		10,341	222,340
Operation and Maintenance of Plant	607,401		73,305	680,706
Pupil Transportation	204,667			204,667
Central	1,253			1,253
Operation of Non-Instructional Services			241,799	241,799
Extracurricular Activities	216,507		366,399	582,906
Capital Outlay	1,806	2,375	107,755	111,936
Debt Service				
Repayment of Principal			190,000	190,000
Interest			187,543	187,543
Total Disbursements	<u>7,534,520</u>	<u>2,375</u>	<u>1,491,600</u>	<u>9,028,495</u>
Excess of Receipts Over Disbursements	<u>876,023</u>	<u>30,229</u>	<u>35,238</u>	<u>941,490</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,554			1,554
Advances-In	18,300		5,600	23,900
Advances-Out	(11,600)		(18,300)	(29,900)
Total Other Financing Sources (Uses)	<u>8,254</u>		<u>(12,700)</u>	<u>(4,446)</u>
Net Change in Fund Balances	884,277	30,229	22,538	937,044
Fund Balances Beginning of Year (Restated - See Note 5)	<u>1,585,351</u>	<u>855,645</u>	<u>626,452</u>	<u>3,067,448</u>
Fund Balances End of Year	<u>\$2,469,628</u>	<u>\$885,874</u>	<u>\$648,990</u>	<u>\$4,004,492</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,780,000	\$2,190,000	\$2,205,591	\$15,591
Intergovernmental	5,770,000	5,838,200	5,919,882	81,682
Interest	40,000	90,000	104,397	14,397
Tuition and Fees	120,200	130,200	143,761	13,561
Rent	2,000	2,000	4,255	2,255
Gifts and Donations	4,000	4,000	5,300	1,300
Miscellaneous	40,000	27,000	27,357	357
Total Receipts	<u>7,756,200</u>	<u>8,281,400</u>	<u>8,410,543</u>	<u>129,143</u>
Disbursements				
Current:				
Instruction				
Regular	4,168,600	4,175,600	4,123,953	51,647
Special	873,600	858,600	837,637	20,963
Vocational Education	224,800	225,300	169,429	55,871
Other	3,000	3,000	7,920	(4,920)
Support Services				
Pupil	247,600	262,600	252,248	10,352
Instructional Staff	290,800	290,800	291,158	(358)
Board of Education	34,200	34,200	32,819	1,381
Administration	629,700	629,700	613,114	16,586
Fiscal	201,200	201,200	211,999	(10,799)
Operation and Maintenance of Plant	635,700	635,700	607,543	28,157
Pupil Transportation	196,000	196,000	206,513	(10,513)
Central	2,500	2,500	1,253	1,247
Operation of Non-Instructional Services	500	500	175	325
Extracurricular Activities	234,900	234,900	216,332	18,568
Capital Outlay				
Architecture and Engineering	4,500	4,500	1,806	2,694
Total Disbursements	<u>7,747,600</u>	<u>7,755,100</u>	<u>7,573,899</u>	<u>181,201</u>
Excess of Receipts Over Disbursements	<u>8,600</u>	<u>526,300</u>	<u>836,644</u>	<u>310,344</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets		1,500	1,554	54
Advances-In			18,300	18,300
Advances-Out			(11,600)	(11,600)
Total Other Financing Sources (Uses)		<u>1,500</u>	<u>8,254</u>	<u>6,754</u>
Net Change in Fund Balance	8,600	527,800	844,898	317,098
Fund Balance - Beginning of Year	1,541,972	1,541,972	1,541,972	
Prior Year Encumbrances Appropriated	<u>43,379</u>	<u>43,379</u>	<u>43,379</u>	
Fund Balance - End of Year	<u>\$1,593,951</u>	<u>\$2,113,151</u>	<u>\$2,430,249</u>	<u>\$317,098</u>

See accompanying notes to the financial statements.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency</u>
Assets	
Cash and Cash Equivalents	\$28,586
Total Assets	<u>28,586</u>
Net Assets	
Held for Students	28,292
Held for Employees	294
Total Net Assets	<u>\$28,586</u>

See accompanying notes to the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Mercer and Darke Counties. 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-seven classified employees, seventy-seven certified teaching personnel, and seven administrative employees who provide services to one thousand one hundred sixty-eight students and other community members. The School District currently operates two instructional buildings.

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For St. Henry Consolidated Local School District, this includes general operations, food service, and student related activities of the School District. There are no component units.

The School District is associated with six organizations which are defined as jointly governed organizations, and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the West Central Regional Professional Development Center, The West Central Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Educational Council, the OSBA Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

B. Basis of Presentation - Fund Accounting

1. Government-Wide Financial Statements

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

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities of the School District. Disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

2. Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of the governmental activity financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

3. Governmental Funds / Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following is the School District's major governmental fund for fiscal year 2007:

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

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

Bond Retirement Fund – The fund is used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

The following is the School District's major governmental funds for fiscal year 2006:

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the one digit object level for the General Fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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 Standard County Budget Commission for rate determination.

2. Estimated Resources

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be 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 disbursements of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any object level appropriation in the general fund, or alters total fund appropriations for all other funds, must be approved by the Board of Education.

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

4. Encumbrances

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

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

D. Cash and Cash Equivalents

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".

During fiscal years 2007 and 2006, the School District's investments included certificates of deposit and repurchase agreements. Investments are reported at cost. Investment earnings are allocated as authorized by State statute based upon School District policy.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$207,752, which included \$37,691 assigned from other School District funds. Interest credited to the General Fund during fiscal year 2006 was \$104,397, which included \$19,983 assigned from other School District funds.

Investments of the School District's 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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, law of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include unexpended revenues for bus purchase and budget stabilization.

F. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets or depreciation expense.

G. Accumulated Leave

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

H. Long-Term Debt

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

I. Intergovernmental Receipts

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

J. Inventory and Prepaid Items

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

K. Interfund Activity

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements. At fiscal years ending June 30, 2007 there was \$21,700 in outstanding advances due to the General Fund and at June 30, 2006 there were no unpaid interfund cash advances.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, adult education programs, vocational programs, and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2007 or 2006.

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and bus purchases. The designation for budget stabilization represents revenues set aside that exceeds statutory required amounts.

O. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants and contributions and capital grants and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements result from providing services. They also include all receipts and disbursements not related to capital and related financing, non-capital financing, or investing activities.

3. Capital Receipts and Disbursements

Capital receipts and disbursements result from receipts and disbursements related to capital and related capital financing or investing activities.

3. COMPLIANCE

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

4. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal years 2007 and 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 46, "Net Assets Restricted by Enabling Legislation". GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

5. RESTATEMENT OF FUND BALANCES

In fiscal year 2006, the School District changed the fund type classification for certain funds which eliminated the Business-type activity designation. This change had the following effect on fund balances as previously reported:

	Fund Balances		Restated
	At June 30, 2005	Adjustment	Fund Balances
	At June 30, 2005		At June 30, 2005
Governmental Activities	\$2,992,792	\$74,656	\$3,067,448
Business Type Activities	74,656	(74,656)	0

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

As of June 30, 2007, the District had \$510 in undeposited cash on hand which is included in the fund balances. As of June 30, 2006, the District had \$640 in undeposited cash on hand which is included in the fund balance.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2007, the School District's bank balance of \$65,740 was fully covered by FDIC. At June 30, 2006, \$900,000 of the School District's bank balance of \$1,051,303 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging institution's trust department not in the School District's name. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments

Investments are reported at cost. As of June 30, 2007, the School District's only investment was a repurchase agreement in the amount of \$4,684,981. At June 30, 2006, the School District's only investment was a repurchase agreement in the amount of \$3,099,245.

C. Interest Rate Risk

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

D. Credit Risk

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

The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute. The securities underlying the investment in repurchase agreements are federal agency securities from Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Corporation with a Moody credit rating of Aaa and are held by the investment's counterparty, not in the name of the School District. As of June 30, 2007 and 2006 the underlying investment's market value does adequately cover the cost of the investment in repurchase agreements. The underlying agency securities values were \$5,113,665 and \$4,500,251 respectively.

E. Concentration Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. One hundred percent of the School District's investments were in repurchase agreements for fiscal years 2007 and 2006. These investments are available to the School District as needed.

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 distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. 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 Darke and Mercer 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$76,724,900	89.4%	\$77,473,400	90.2%
Public Utility	2,646,910	3.1	2,662,080	3.1
Tangible Personal Property	6,440,460	7.5	5,762,950	6.7
Total Assessed Value	\$85,812,270	100.00%	\$85,898,430	100.00%
Tax rate per \$1,000 of assessed valuation	\$38.81		\$38.81	

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$67,912,580	86.1%	\$76,724,900	89.4%
Public Utility	2,641,360	3.3	2,646,910	3.1
Tangible Personal Property	8,374,180	10.6	6,440,460	7.5
Total Assessed Value	\$78,928,120	100.00%	\$85,812,270	100.00%
Tax rate per \$1,000 of assessed valuation	\$39.83		\$38.81	

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. Payments in lieu of taxes for fiscal years 2007 and 2006 amounted to \$31,420 and \$24,895; respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal years 2007 and the 2006, the School District contracted with Selective Insurance Company for the following insurance coverage:

	2007	2006
Buildings and Contents – replacement cost	\$ 35,590,000	\$23,285,750
General Liability		
Per Occurrence	1,000,000	1,000,000
Aggregate	3,000,000	3,000,000
Legal Liability	1,000,000	1,000,000
Umbrella Liability	5,000,000	5,000,000
Automobile Liability	1,000,000	1,000,000
Uninsured Motorists	1,000,000	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years

B. Ohio School Plan

For fiscal years 2007 and 2006, the School District participated in the Ohio School Boards Association Group Rating Program, 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 participation 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.

C. Workers' Compensation

For fiscal years 2007 and 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

9. RISK MANAGEMENT (Continued)

D. Health Care Benefits

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$94,376, \$90,952 and \$91,810 respectively; 71 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$532,299, \$529,246, and \$515,060 respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal years 2007 and 2006 were \$580 and \$504 respectively made by the School District and \$6,576 and \$5,673 respectively made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 obligations 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$40,946 for fiscal year 2007 and \$40,711 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the fiscal years 2007 and 2006 equaled \$47,237 and \$38,573 respectively.

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 the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

General Long-Term Obligations	Interest Rate	Outstanding 6/30/06	Additions	Deductions	Outstanding 6/30/07	Due Within 1 Year
2004 School Improvement Refunding Bonds	2.3-5.5%	\$1,715,000		\$ 110,000	\$1,605,000	\$110,000
Capital Appreciation Bonds		9,999			9,999	
Accretion on Capital Appreciation Bonds		12,539	\$ 12,000		24,539	
2000 School Improvement Serial and Term Bonds	4.45-5.75%	2,015,000		1,605,000	410,000	95,000
Capital Appreciation Bonds		40,786			40,786	
Accretion on Capital Appreciation Bonds		127,664	9,779		137,443	
2006 School Improvement Refunding Current Interest Bonds	3.75-5.75%		1,200,000	20,000	1,180,000	20,000
Capital Appreciation Bonds	4.18-4.30%		314,998		314,998	
Accretion on Capital Appreciation Bonds			12,345		12,345	
Total General Obligation Debt		\$3,920,988	\$1,549,122	\$1,735,000	\$3,735,110	\$225,000

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

General Long-Term Obligations	Interest Rate	Outstanding 6/30/05	Additions	Deductions	Outstanding 6/30/06	Due Within 1 Year
2004 School Improvement Refunding Bonds	2.3-5.5%	\$1,740,000		\$ 25,000	\$1,715,000	\$110,000
Capital Appreciation Bonds		9,999			9,999	
Accretion on Capital Appreciation Bonds		3,564	\$ 8,975		12,539	
2000 School Improvement Serial and Term Bonds	4.45-5.75%	2,100,000		85,000	2,015,000	90,000
Capital Appreciation Bonds		40,786			40,786	
Accretion on Capital Appreciation Bonds		118,421	9,243		127,664	
1995 School Improvement Serial and Term Bonds	3.5-5.25%	80,000		80,000		
Total General Obligation Debt		\$4,092,770	\$18,218	\$190,000	\$3,920,988	\$200,000

2006 School Improvement Refunding General Obligation Bonds – On September 14, 2006, the School District issued \$1,514,998 in general obligation bonds for the purpose of refunding outstanding obligation bonds originally issued in 2000 for construction and improvement to the School District's buildings and structures. The refunding bond issue included current interest and capital appreciation bonds, in the amount of \$1,200,000 and \$314,998, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The net proceeds of the refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$1,514,998 of the 2000 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds will be removed from the School District's long-term obligations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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

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

The capital appreciation bonds will mature in fiscal year 2014, 2015, 2016 are not subject to redemption prior to maturity. The maturity amount of the bonds is \$145,000; \$155,000; and \$160,000 respectively. For fiscal year 2007, \$12,345 was accreted.

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

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

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

The capital appreciation bonds will mature in fiscal year 2014 are not subject to redemption prior to maturity. The maturity amount of the bonds is \$135,000. For fiscal year 2007 and 2006, \$12,000 and \$8,975 was accreted respectively for total bond value of \$34,539 at June 30, 2007.

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

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1, 2013, and each December 1 thereafter. Unless previously redeemed, the remaining principal amount of \$190,000 will mature at stated maturity on December 1, 2022.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

The term bonds starting maturing on December 1, 2022, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District starting on December 1, 2010, at 101% of the redemption prices plus accrued interest to the redemption date and at 100% starting on December 1, 2011 and thereafter.

The capital appreciation bonds will mature in fiscal years 2012 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$235,000. For fiscal years 2007 and 2006, \$9,779 and \$9,243 was accreted respectively.

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 \$5,821,082 with an unvoted debt margin of \$85,898 at June 30, 2007.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year June 30,	2000 General Obligation		2004 General Obligation		2006 General Obligation		Total Interest/ Accretion	Total
	Serial and Term Bonds	Capital Appreciation Bonds	Serial and Term Bonds	Capital Appreciation Bonds	Serial and Term Bonds	Capital Appreciation Bonds		
2008	\$ 95,000		\$ 110,000		\$ 20,000		\$ 150,214	\$ 375,214
2009	100,000		110,000		20,000		141,353	371,353
2010	105,000		115,000		20,000		131,830	371,830
2011	110,000		125,000		20,000		121,460	373,475
2012		\$22,296	125,000		20,000		206,179	373,475
2013-2017		18,490	555,000	\$9,999	165,000	\$314,998	864,050	1,927,537
2018-2022			465,000		835,000		182,544	1,482,544
2023					80,000		2,300	82,300
	<u>\$410,000</u>	<u>\$40,786</u>	<u>\$1,605,000</u>	<u>\$9,999</u>	<u>\$1,180,000</u>	<u>\$314,998</u>	<u>\$1,799,930</u>	<u>\$5,360,713</u>

During 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

13. STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year 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 and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal years 2006 and 2007.

FISCAL 2006	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Carry Over Balance, 6/30/2005	(\$256,733)	(\$2,329,259)	\$19,755
Required Set-Aside	165,336	165,336	
Offsets		(121,816)	
Qualifying Expenditures	(123,896)	(17,289)	
Balance as of 6/30/2006	<u>(215,293)</u>	<u>(2,303,028)</u>	<u>19,755</u>
Excess/Cash Available for Carry-over to Subsequent Year	<u>(\$215,293)</u>	<u>(\$2,303,028)</u>	<u>\$19,755</u>
FISCAL 2007	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Carry Over Balance, 6/30/2006	(\$215,293)	(\$2,303,028)	\$19,755
Required Set-Aside	167,056	167,056	
Offsets		(119,793)	
Qualifying Expenditures	(157,985)	(44,702)	
Balance as of 6/30/2007	<u>(206,222)</u>	<u>(2,300,467)</u>	<u>19,755</u>
Excess/Cash Available for Carry-over to Subsequent Year	<u>(\$206,222)</u>	<u>(\$2,300,467)</u>	<u>\$19,755</u>

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

14. JOINTLY GOVERNED ORGANIZATIONS

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. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2007 and 2006 the School District paid \$15,741 and \$13,317, respectively, to NOACSC for various services. Financial information can be obtained from 645 South Main Street, Lima, Ohio 45804.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

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.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

15. GROUP PURCHASING POOL

A. Ohio School Boards Association Group Rating Program (OSBA)

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

B. Mercer Auglaize Employee Benefit Trust

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, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; JM Consulting, 3547 Beechway Blvd., Toledo, Ohio 43614.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

16. INTERFUND ADVANCES

During fiscal years 2007 and 2006, the School District made advances between funds as follows:

2007	Advances In	Advances Out
General Fund	\$11,600	\$21,700
Other Governmental Funds	16,700	5,600
Agency Funds	5,000	6,000
Total	<u>\$33,300</u>	<u>\$33,300</u>
2006		
General Fund	\$18,300	\$11,600
Other Governmental Funds	5,600	0
Agency Funds	6,000	18,300
Total	<u>\$29,900</u>	<u>\$29,900</u>

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007 or 2006.

E. Litigation

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

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, (the School District), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 17, 2008, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the School District's management in a separate letter dated March 17, 2008.

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the School District's management in a separate letter dated March 17, 2008.

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

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



Mary Taylor, CPA
Auditor of State

March 17, 2008

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

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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

FINDING NUMBER 2007-001

NONCOMPLIANCE CITATION

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

Ohio Adm. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal 2007 and 2006 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their annual financial reports in accordance with generally accepted accounting principles.

Officials Response:

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 117.38 and OAC 117-2-03 (B) – Failure to prepare and file gaap basis annual financial report.	No	Repeated as finding 2007-001



Mary Taylor, CPA
Auditor of State

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2008**