



Dave Yost • Auditor of State



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

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# Dave Yost • 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 District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St Henry Consolidated Local School District, Mercer County, as of June 30, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the District adopted Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The schedule of federal awards receipt and expenditure (the schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

January 24, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2011. 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 2011 are as follows:

- In 2011, General Receipts accounted for \$8,411,577 or 83 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,723,479 or 17 percent of total receipts of \$10,135,056.
- Total program disbursements in 2011 were \$10,167,775.
- In 2011, net assets decreased in total, \$32,719.

**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 the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

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

**Reporting the District's Fiduciary Responsibilities**

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities, reported in agency funds, include various student organizations such as Student Council and Future Teachers of America. The School District's fiduciary activities are reported in the Statement of Fiduciary Net Assets on page 14. 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, 2011  
(UNAUDITED)  
(Continued)**

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2011 and 2010:

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

<b>Assets:</b>	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010 (Restated)</b>
Cash and Cash Equivalents	\$4,505,683	\$4,538,402
<b>Total Assets</b>	<b>4,505,683</b>	<b>4,538,402</b>
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Debt Service	328,823	309,876
Capital Outlay	975,500	945,607
Other Purposes	194,115	225,646
Set Asides	18,916	38,671
Unrestricted	2,988,329	3,018,602
<b>Total Net Assets</b>	<b>\$4,505,683</b>	<b>\$4,538,402</b>

Table 2 shows the changes in net assets for fiscal year 2011 and 2010. This table enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

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

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010 (Restated)</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$ 615,053	\$ 634,482
Operating Grants	1,080,692	738,680
Capital Grants	27,734	26,840
<b>General Receipts:</b>		
Property Taxes	2,853,136	2,798,261
Payments in Lieu of Taxes	33,454	40,694
Grants and Entitlements not Restricted to Specific Programs	5,447,428	5,955,366
Proceeds from the Sale of Assets	987	2,415
Interest	31,730	31,472
Miscellaneous	44,842	29,493
<b>Total Receipts</b>	<b>10,135,056</b>	<b>10,257,703</b>
<b>Disbursements:</b>		
<b>Program Disbursements:</b>		
Instruction	6,336,492	6,345,632
Support Services	2,510,645	2,557,084
Non-Instructional Services	313,865	318,687
Extracurricular	566,585	578,073
Capital Outlay	63,728	115,113
Debt Service	376,460	371,830
<b>Total Disbursements</b>	<b>10,167,775</b>	<b>10,286,419</b>
<b>(Decrease)/Increase in Net Assets</b>	<b>(\$ 32,719)</b>	<b>(\$ 28,716)</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

Several revenue sources fund the School District's governmental activities with intergovernmental receipts being the largest contributor. Intergovernmental receipts generated \$6.6 million in fiscal year 2011. Property tax levies were also a large revenue generator with \$2.9 million in fiscal year 2011 revenues. With the combination of taxes and intergovernmental receipts funding 93 percent of the expenses in governmental activities in fiscal year 2011, the School District monitors both of these revenue sources very closely for fluctuations.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)  
Governmental Activities**

	<b>2011</b>		<b>2010 (Restated)</b>	
	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>
Instruction	\$ 6,336,492	\$5,331,236	\$ 6,345,632	\$5,683,965
<b>Support Services:</b>				
Pupil and Instructional Staff	587,916	567,454	615,677	586,509
Board of Education, Administration and Fiscal	1,040,824	1,035,824	1,014,632	1,009,632
Operation and Maintenance of Plant	672,790	628,240	723,327	678,893
Pupil Transportation	208,426	187,713	202,465	179,846
Central	689	689	983	983
Operation of Non-Instructional Services	313,865	4,021	318,687	8,490
Extracurricular Activities	566,585	276,665	578,073	277,996
Capital Outlay	63,728	35,994	115,113	88,273
Debt Service	376,460	376,460	371,830	371,830
<b>Total</b>	<b>\$10,167,775</b>	<b>\$8,444,296</b>	<b>\$10,286,419</b>	<b>\$8,886,417</b>

In fiscal year 2011, Instruction and student support services comprise 87 percent of governmental program expenses. Board of Education, fiscal and administration charges were 10 percent. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the School District. Pupil transportation and the operation/maintenance of facilities accounts for 9 percent of governmental program expenses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**The School District's Funds**

For fiscal year 2011, the School District had two major governmental funds: the General Fund and the OSFC (Ohio School Facilities Construction) Building Fund. The assets of these funds comprise \$3,817,471 or 85 percent of the \$4,505,683 total governmental assets.

**General Fund** – The General Fund cash balance at June 30, 2011 was \$3,003,176, which represents 66 percent of total governmental fund cash balances. Receipts of the General Fund comprise \$8,273,836 (82 percent) of the total \$10,128,539 governmental funds' receipts and 82 percent of the total disbursements for the governmental funds. General Fund receipts were less than disbursements by \$78,359, indicating that the General Fund is in a small deficit spending situation. The overall change in the General Fund's cash balance was \$(80,922) for fiscal year 2011. This change is a result of a decrease in intergovernmental receipts and tuition and fees, combined with an increase in the cost of board of education, administration and fiscal.

**OSFC Building Fund** – The OSFC Building Fund cash balance at June 30, 2011 was \$814,295, which represents 18 percent of total governmental fund cash balances. Receipts of the OSFC Building Fund comprise \$6,629 (0.07 percent) of total governmental funds' receipts for fiscal year 2011 and the fund had no disbursements for the fiscal year. The increase in the OSFC Building Fund cash balance was due to the fund earning interest and not having disbursements during fiscal year 2011.

**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 2011, 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 2011 budget basis revenue was \$8,147,596 (excluding other financing sources), \$222,804 under the final budget estimates of \$8,370,400. Of the decrease in 2011 receipts, most was attributable to slight decreases in property taxes, interest, and tuition and fees receipts and a very large decrease in intergovernmental receipts. Actual disbursements were less than final budgeted disbursements by \$142,236 mainly due to the School District cutting instructional costs.

**Set Asides and Debt Administration**

**Set Aside**

Ohio law required school districts to set aside a determined amount of certain receipts for capital improvements and the same amount for textbooks (see Note 12). For fiscal year 2011, this amounted to \$163,518 for each set aside. The School District has qualifying disbursements and/or offsets for capital acquisition totaling \$163,518 for fiscal year 2011. For the textbooks, the School District disbursed \$161,560 in fiscal year 2011, with an excess at June 30, 2011 scheduled to be carried forward into the 2011 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, 2011, the School District had \$2,610,783 in general obligation debt outstanding. See Note 10 for additional details.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**Current Issues**

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

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

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

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

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

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

The School District has completed school building additions and renovations in conjunction with the Ohio School Facilities Commission. This \$20,000,000 building project has been essentially complete with approximately \$813,295 unspent monies that remain. These unspent funds will have to be paid back to the Ohio School Facilities Commission after all the project closeout requirements have been accomplished.

**School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Glenn Miller, Treasurer of St. Henry 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, 2011**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,505,683
Total Assets	<u>4,505,683</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	328,823
Capital Outlay	975,500
Other Purposes	194,115
Set-asides	18,916
Unrestricted	2,988,329
Total Net Assets	<u>\$4,505,683</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, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$4,748,835	\$82,462	\$455,912		(\$4,210,461)
Special	1,299,983		296,420		(1,003,563)
Vocational Education	282,670	818	169,644		(112,208)
Adult/Continuing Education	3,106				(3,106)
Other	1,898				(1,898)
<b>Support Services:</b>					
Pupils	303,986		7,950		(296,036)
Instructional Staff	283,930		12,512		(271,418)
Board of Education	21,267				(21,267)
Administration	744,208		5,000		(739,208)
Fiscal	275,349				(275,349)
Operation and Maintenance of Plant	672,790		44,550		(628,240)
Pupil Transportation	208,426	20,713			(187,713)
Central	689				(689)
<b>Operation of Non-Instructional Services:</b>					
Food Services	313,480	242,769	67,075		(3,636)
Community Services	385				(385)
Extracurricular Activities	566,585	268,291	21,629		(276,665)
Capital Outlay	63,728			27,734	(35,994)
<b>Debt Service:</b>					
Repayment of Principal	255,000				(255,000)
Interest	121,460				(121,460)
Total Governmental Activities	<u>\$10,167,775</u>	<u>\$615,053</u>	<u>\$1,080,692</u>	<u>\$27,734</u>	<u>(8,444,296)</u>

**General Receipts**

**Property Taxes Levied for:**

General Purposes	2,399,746
Debt Service	332,009
Capital Improvements	85,890
Building Maintenance	35,491
Payments in Lieu of Taxes	33,454
Grants and Entitlements not Restricted to Specific Programs	5,447,428
Proceeds from the Sale of Assets	987
Interest	31,730
Miscellaneous	44,842
Total General Receipts	<u>8,411,577</u>

Change in Net Assets (32,719)

Net Assets Beginning of Year - Restated (Note 3) 4,538,402

Net Assets End of Year \$4,505,683

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, 2011**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,984,260	\$814,295	\$688,212	\$4,486,767
Restricted Cash and Cash Equivalents	18,916			18,916
<b>Total Assets</b>	<u>3,003,176</u>	<u>814,295</u>	<u>688,212</u>	<u>4,505,683</u>
<b>Fund Balances:</b>				
Restricted	18,916	814,295	684,143	1,517,354
Assigned	58,179		4,069	62,248
Non-spendable	6,972			6,972
Unassigned	2,919,109			2,919,109
<b>Total Fund Balances</b>	<u>\$3,003,176</u>	<u>\$814,295</u>	<u>\$688,212</u>	<u>\$4,505,683</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>	<b>OSFC Building Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>				
Taxes	\$2,399,746		\$453,390	\$2,853,136
Intergovernmental	5,540,179		979,047	6,519,226
Interest	31,730	\$6,629	420	38,779
Tuition and Fees	98,124		818	98,942
Rent	5,051			5,051
Extracurricular Activities	96,660		171,631	268,291
Gifts and Donations	6,420			6,420
Customer Sales and Services			242,768	242,768
Payments in Lieu of Taxes	33,454			33,454
Miscellaneous	62,472			62,472
Total Receipts	<u>8,273,836</u>	<u>6,629</u>	<u>1,848,074</u>	<u>10,128,539</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,205,083		543,752	4,748,835
Special	1,001,134		298,849	1,299,983
Vocational Education	276,157		6,513	282,670
Adult/Continuing Education			3,106	3,106
Other	1,898			1,898
<b>Support Services:</b>				
Pupils	303,986			303,986
Instructional Staff	283,930			283,930
Board of Education	21,267			21,267
Administration	739,208		5,000	744,208
Fiscal	265,270		10,079	275,349
Operation and Maintenance of Plant	668,813		3,977	672,790
Pupil Transportation	208,426			208,426
Central	689			689
<b>Operation of Non-Instructional Services:</b>				
Food Services			313,480	313,480
Community Services	385			385
Extracurricular Activities	373,474		193,111	566,585
Capital Outlay	2,475		61,253	63,728
<b>Debt Service:</b>				
Repayment of Principal			255,000	255,000
Interest			121,460	121,460
Total Disbursements	<u>8,352,195</u>	<u>6,629</u>	<u>1,815,580</u>	<u>10,167,775</u>
Excess of Receipts (Under) Over Disbursements	<u>(78,359)</u>	<u>6,629</u>	<u>32,494</u>	<u>(39,236)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	987			987
Refund of Prior Year Expenditures	150		6,480	6,630
Refund of Prior Year Receipts			(1,100)	(1,100)
Advances-In	24,900		28,600	53,500
Advances-Out	(28,600)		(24,900)	(53,500)
Total Other Financing Sources (Uses)	<u>(2,563)</u>		<u>9,080</u>	<u>6,517</u>
Net Change in Fund Balances	(80,922)	6,629	41,574	(32,719)
Fund Balances Beginning of Year - Restated (Note 3)	<u>3,084,098</u>	<u>807,666</u>	<u>646,638</u>	<u>4,538,402</u>
Fund Balances End of Year	<u>\$3,003,176</u>	<u>\$814,295</u>	<u>\$688,212</u>	<u>\$4,505,683</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$2,330,000	\$2,416,000	\$2,399,746	(\$16,254)
Intergovernmental	5,693,200	5,701,200	5,540,179	(161,021)
Interest	45,000	45,000	31,730	(13,270)
Tuition and Fees	104,200	112,200	98,124	(14,076)
Rent	2,000	7,000	5,051	(1,949)
Gifts and Donations	4,000	10,900	6,420	(4,480)
Payments in Lieu of Taxes	40,000	40,000	33,454	(6,546)
Miscellaneous	23,100	38,100	32,892	(5,208)
Total Receipts	<u>8,241,500</u>	<u>8,370,400</u>	<u>8,147,596</u>	<u>(222,804)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,230,400	4,182,315	4,224,035	(41,720)
Special	1,118,400	1,118,400	1,001,172	117,228
Vocational Education	279,000	280,500	276,312	4,188
Other	5,500	5,500	1,898	3,602
<b>Support Services:</b>				
Pupils	294,400	294,400	294,972	(572)
Instructional Staff	318,500	319,085	285,867	33,218
Board of Education	22,000	22,000	21,267	733
Administration	741,100	741,100	739,251	1,849
Fiscal	284,200	284,200	265,270	18,930
Operation and Maintenance of Plant	624,200	670,200	672,458	(2,258)
Pupil Transportation	206,600	206,600	208,426	(1,826)
Central	1,100	1,100	1,102	(2)
Community Services	400	400	385	15
Extracurricular Activities	262,400	262,400	255,074	7,326
Architecture and Engineering	4,000	4,000	2,475	1,525
Total Disbursements	<u>8,392,200</u>	<u>8,392,200</u>	<u>8,249,964</u>	<u>142,236</u>
Excess of Receipts Over (Under) Disbursements	<u>(150,700)</u>	<u>(21,800)</u>	<u>(102,368)</u>	<u>(80,568)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	1,500	1,500	987	(513)
Refund of Prior Year Expenditures		1,000	150	(850)
Advances-In			31,100	31,100
Advances-Out			(35,100)	(35,100)
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>2,500</u>	<u>(2,863)</u>	<u>(5,363)</u>
Net Change in Fund Balance	(149,200)	(19,300)	(105,231)	(85,931)
Fund Balance Beginning of Year	3,058,273	3,058,273	3,058,273	
Prior Year Encumbrances Appropriated	97,239	97,239	97,239	
Fund Balance - End of Year	<u>\$3,006,312</u>	<u>\$3,136,212</u>	<u>\$3,050,281</u>	<u>(\$85,931)</u>

See accompanying notes to the financial statements.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
AGENCY FUNDS  
JUNE 30, 2011

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$34,050</u>
<b>Net Assets:</b>	
Held in Trust for Employees	2,495
Held in Trust for Students	<u>31,555</u>
Total Net Assets	<u>\$34,050</u>

*See accompanying notes to the financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District is located in Mercer and Darke Counties. It is staffed by 43 classified employees, 66 certified teaching personnel who provide services to 983 students. The School District currently operates three instructional buildings.

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

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

The School District is associated with six organizations, which are defined as jointly governed organizations, and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the State Support Team Region 6, the West Central Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Education Council, the Southwestern Ohio Educational Purchasing Council, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**A. Basis of Accounting**

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

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

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

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

**B. Basis of Presentation - Fund Accounting**

**1. Government-Wide Financial Statements**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**2. Fund Financial Statements**

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

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

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

The funds of the financial reporting entity are described below:

**3. Governmental Funds/Governmental Activities**

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds for fiscal year 2011:

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

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

**4. Fiduciary 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 net assets) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and an employee paid portion insurance.

**C. Budgetary Process**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the 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 disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**2. Estimated Resources**

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

**3. Appropriations**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**D. Cash and Cash Equivalents**

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as "Investments".

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited to the General Fund during fiscal year 2011 were \$31,730, of which \$10,740 was assigned from other funds.

**E. Restricted Assets**

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

Restricted assets in the General Fund include unexpended receipts for bus purchase and workers compensation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**F. Capital Assets**

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

**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 modified cash basis financial statements. The debt proceeds are reported as cash is received and payment of principal and interest are reported as disbursements when paid.

**I. Intergovernmental Receipts**

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

**J. Inventory and Prepaid Items**

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

**K. Interfund Activities**

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

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

**L. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**M. Equity Classifications**

**1. Government-Wide Statements**

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

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

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

**2. Fund Financial Statements**

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

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**N. Receipts and Disbursements**

**1. Program Receipts**

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

**2. Operating Receipts and Disbursements**

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

**O. Changes in Accounting Principle**

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**3. RESTATEMENT OF FUND BALANCE/NET ASSETS**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

A reporting difference was discovered for the fund balances of fiscal year 2010 whereby \$1,000 in general fund monies were reported as agency funds.

The restatement had the following effect on fund balances as of June 30, 2010:

	<b>General Fund</b>	<b>OSFC Building Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Fund Balance at June 30, 2010	\$3,057,273	\$807,666	\$672,463	\$4,537,402
Reporting correction	1,000			1,000
Change in Fund Structure	25,825		(25,825)	
Adjusted Fund Balance at June 30, 2010	<u>\$3,084,098</u>	<u>\$807,666</u>	<u>\$646,638</u>	<u>\$4,538,402</u>

The restatement had the following effect on net assets as of June 30, 2010:

	<b>Governmental Activities</b>	<b>Agency</b>
Net Assets June 30, 2010	\$4,537,402	\$33,274
Reporting correction	1,000	(1,000)
Change in Fund Structure		
Adjusted Net Assets at June 30, 2010	<u>\$4,538,402</u>	<u>\$32,274</u>

**4. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**A. Deposits**

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

At fiscal year-end, the carrying amount of the School District's deposits was \$4,533,273 and the bank balance was \$4,669,290. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,419,290 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2011, the School District had \$6,460 un-deposited cash on hand included in equity in pooled cash and cash equivalents.

**B. Investments**

**1. 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.

**2. 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's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio Law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**3. Concentration of Credit Risk**

The School District policy places no limit on the amount the School District may invest in any one issuer. It is required that the School District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. One hundred percent of the School District's investments are in repurchase agreements. These investments are available to the School District as needed. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated AAA by Moody's Investor Services.

**5. PROPERTY TAXES**

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

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

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2011 taxes were collected are:

	<b>2010 Second-Half Collections</b>		<b>2011 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$90,378,200	99.8%	\$91,992,820	97.1%
Public Utility	167,890	0.2	2,755,250	2.9
Total Assessed Value	<u>\$90,546,090</u>	<u>100.0%</u>	<u>\$94,748,070</u>	<u>100.0%</u>
Tax rate per \$1,000 or assessed valuation	\$38.81		\$38.41	

**6. PAYMENTS IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for the fiscal year 2011 amounted to \$33,454.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Schools of Ohio Risk Sharing Authority and Selective Insurance Company of South Carolina, respectively, for the following insurance coverage:

Buildings and Contents - replacement cost	\$39,743,570
Automobile Liability	5,000,000
Underinsured Motorists	1,000,000
General Liability:	
Per Occurrence	5,000,000
Aggregate	7,000,000
Legal Liability	5,000,000
Umbrella Liability	7,000,000

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

**B. Workers' Compensation**

For fiscal year 2011, the School District contracted with CompManagement, Inc. ("CMI"), a third party workers' compensation claims administrator. CMI is responsible for evaluating and processing workers' compensation claims in a timely manner. The School District did not qualify for a Group Rating Program due to prior claims.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**C. Health Care Benefits**

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

**8. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

**Plan Description** - The School District contributes to the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer employee retirement system defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. Copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**Funding Policy** - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$563,000, \$576,549, and \$575,314, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 was \$7,915 made by the School District and \$5,654 made by the plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to Pension and Death Benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$139,615, \$136,353, and \$134,052, respectively; which equaled the required contributions each year.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. POST EMPLOYMENT BENEFITS**

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

**A. State Teachers Retirement System**

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 costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal year ended June 30, 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for post employment health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$43,308, \$44,350, and \$44,255, respectively. 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76 percent. The School District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$7,579, \$7,402, and \$6,320, which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2011, 2010 and 2009 were \$14,261, \$4,480, and \$40,024, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

<b>General Long-Term Obligations</b>	<b>Interest Rates</b>	<b>Balance at 6/30/10</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/11</b>	<b>Within One Year</b>
<b>2006 School Improvement</b>						
Refunding Current Interest Bonds	3.75–5.75%	\$1,120,000		\$ 20,000	\$1,100,000	\$ 20,000
Capital Appreciation Bonds	4.18–4.30%	314,998			314,998	
Accretion on Cap. App. Bonds		60,791	17,693		78,484	
<b>2004 School Improvement</b>						
Refunding Bonds	2.3–5.5%	1,270,000		125,000	1,145,000	125,000
Capital Appreciation Bonds		9,999			9,999	
Accretion on Cap. App. Bonds		48,848	18,164		67,012	
<b>2000 School Improvement</b>						
Serial and Term Bonds	4.4–5.75%	110,000		110,000		
Capital Appreciation Bonds		40,786			40,786	22,296
Accretion of Cap. App. Bonds		170,320	12,256		182,576	
<b>Total</b>		<b>\$3,145,742</b>	<b>\$48,113</b>	<b>\$255,000</b>	<b>\$2,938,855</b>	<b>\$260,000</b>

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

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

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

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

The capital appreciation bonds will mature in fiscal year 2014, 2015 and 2016 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$145,000; \$155,000; and \$160,000, respectively. For fiscal year 2011, \$17,693 was accreted for a total bond value of \$393,482 as of June 30, 2011.

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

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

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

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

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

The capital appreciation bonds will mature in fiscal year 2014 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$135,000. For fiscal year 2011, \$18,164 was accreted for total bond value of \$77,011 as of June 30, 2011.

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

The capital appreciation bonds will mature in fiscal years 2012 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$235,000. For fiscal year 2011, \$12,256 was accreted for total bond value of \$223,362 as of June 30, 2011.

The School District's overall debt margin was \$5,855,247 with an unvoted debt margin of \$94,748 at June 30, 2011.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, were as follows:

Fiscal Year June 30,	2000 General Obligation	2004 General Obligation	2006 General Obligation	Total Interest/ Accretion	Total
	Capital Appreciation Bonds	Serial and Term Bonds	Capital Appreciation Bonds		
2012	\$22,296	\$ 125,000		\$ 20,000	\$ 373,475
2013	18,490	135,000		25,000	209,422
2014			\$9,999		270,863
2015		135,000		\$104,051	384,913
2016		140,000		106,225	150,311
2017-2021		610,000		104,722	149,941
2022-2023				790,000	256,138
				265,000	12,219
	<u>\$40,786</u>	<u>\$1,145,000</u>	<u>\$9,999</u>	<u>\$1,100,000</u>	<u>\$314,998</u>
					<u>\$1,255,073</u>
					<u>\$3,865,856</u>

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**11. FUND BALANCE**

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

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

	<u>General</u>	<u>OSFC Building Project</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>Restricted for:</b>				
Capital Improvements		\$814,295	\$161,206	\$ 975,501
Debt Service			328,826	328,826
Classroom maintenance			59,175	59,175
Food Service Operations			43,289	43,289
Student Activities			91,453	91,453
Pupil Transportation	\$ 18,916			18,916
Vocational Education			100	100
Teacher Quality Improvement			94	94
Total Restricted	18,916	814,295	684,143	1,517,354
<b>Non-spendable:</b>				
Unclaimed Monies	6,972			6,972
Total Non-spendable	6,972			6,972
<b>Assigned for:</b>				
Adult Education			4,069	4,069
Unpaid Obligations	36,511			36,511
Educational Activities	6,901			6,901
Extracurricular Activities	14,767			14,767
Total Assigned	58,179			62,248
Unassigned	2,919,109			2,919,109
Total Fund Balance	<u>\$3,003,176</u>	<u>\$814,295</u>	<u>\$688,212</u>	<u>\$4,505,683</u>

**12. STATUTORY RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**12. STATUTORY RESERVES (Continued)**

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>	<b>Budget Stabilization</b>
Set-Aside Reserve Balance June 30, 2010			\$19,755
Current Year Set-Aside Requirement	\$163,518	\$163,518	
Current Year Qualifying Disbursements	(157,969)		
Excess Qualified Disbursements from Prior Years	(161,560)		
Current Year Offsets		(121,381)	
Prior Year Offsets from Bond Proceeds		(42,137)	
Total	<u>(\$156,011)</u>		<u>19,755</u>
Balance Carry forward to June 30, 2012	<u>(\$156,011)</u>		<u>19,755</u>
Set-Aside Reserve Balance June 30, 2011	<u>\$ 0</u>	<u>\$ 0</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. Effective July 1, 2011, the textbook set-aside laws have been repealed.

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (the "NOACSC"), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

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

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

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

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

**14. GROUP PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Council**

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**14. GROUP PURCHASING POOL (Continued)**

**Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (the "Trust") is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Glenn Szana; Group Healthcare, Greenwood Centre, 1616 East Wooster - #20, Bowling Green, Ohio 43402.

**15. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2011.

**B. Litigation**

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

**16. ADVANCES**

During the fiscal year ended June 30, 2011, the following advances in and out occurred:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$24,900	\$28,600
<b>All Other Governmental:</b>		
Honda Matching Funds Grant		5,100
Athletic Fund	15,000	
Vo. Ag. Fifth Quarter Grant	3,700	3,200
ARRA Part B - IDEA		5,900
Title I		10,700
Title II-A Grant	9,900	
Total of Governmental	<u>\$53,500</u>	<u>\$53,500</u>

A short term loan was made during fiscal year 2011 from the General Fund to cover expenditures made awaiting reimbursement by granting authorities. The General Fund received \$24,900 which was repayment of prior year loans.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**17. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
Budget basis	(\$105,231)
Funds budgeted elsewhere**	(875)
Adjustment for encumbrances	25,184
Cash basis	<u>(\$ 80,922)</u>

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

**18. COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of modified cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND DISBURSEMENTS  
FOR YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Non-Cash Assistance (food distribution)						
National School Lunch Program		10.555		50,719		51,323
Cash Assistance:						
National School Lunch Program		10.555	\$65,999		\$65,999	
Total Nutrition Cluster			<u>\$65,999</u>	<u>50,719</u>	<u>\$65,999</u>	<u>51,323</u>
Total U.S. Department of Agriculture			<u>65,999</u>	<u>50,719</u>	<u>65,999</u>	<u>51,323</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through Ohio Department of Education)</i>						
Special Education Cluster:						
Special Education_Grants to States - ARRA	2011	84.391	111,488		111,488	
	2010		5,857			
Total Special Education Cluster			<u>117,345</u>		<u>111,488</u>	
Improving Teacher Quality	2011	84.367	9,922		19,728	
	2010		12,685		2,044	
Total Improving Teacher Quality			<u>22,607</u>		<u>21,772</u>	
State Fiscal Stabilization Fund - ARRA	2011	84.394	426,902		426,902	
Total U.S. Department of Education			<u>566,854</u>		<u>560,162</u>	
<b>Corporation for National and Community Service</b>						
<i>(Passed through Ohio Department of Education)</i>						
Learn and Service America - School & Community Based Programs	2010	94.004	(1,100)			
Total Corporation for National and Community Service			<u>(1,100)</u>			
Total Federal Assistance			<u>\$631,753</u>	<u>\$50,719</u>	<u>\$626,161</u>	<u>\$51,323</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the St Henry Consolidated Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the school lunch program which benefitted from the use of those donated food commodities.

**NOTE D – NEGATIVE RECEIPTS**

The negative receipts for the Learn and Service America - School & Community Based Programs (CFDA # 94.004) was due to the repayment of unused funds back to the grantor.



# Dave Yost • 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 year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 24, 2012, wherein we noted the School District adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the School District uses a comprehensive accounting basis 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 24, 2012

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

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 24, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of St Henry Consolidated Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the St Henry Consolidated Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**Internal Control Over Compliance  
(Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, other within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 24, 2012



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	ARRA State Fiscal Stabilization Fund – CFDA# 84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2011-001**

**NONCOMPLIANCE**

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

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

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

**Official's Response:**

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – failed to prepare financial statements in accordance with GAAP	No	Repeated as finding Number 2011-001

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

January 24, 2011

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# Dave Yost • 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  
MARCH 27, 2012**