



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, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Henry Consolidated Local School District, Mercer County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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, governmental activities and long-term obligations. The Schedule of federal awards receipts and disbursements (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

November 9, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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 2012 are as follows:

- In 2012, General Receipts accounted for \$8,766,779 or 85 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,593,484 or 15 percent of total receipts of \$10,360,263.
- Total program disbursements in 2012 were \$9,900,683.
- In 2012, net assets increased, in total, \$459,580.

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 School District's 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 and OSFC Building Fund are by far the most significant funds.

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, 2012
(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 2012?" 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 16. 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, 2012
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

**(Table 1)
Net Assets – Cash Basis**

| | Governmental Activities | |
|--|--------------------------------|--------------------|
| | 2012 | 2011 |
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,965,263 | \$4,505,683 |
| Total Assets | <u>4,965,263</u> | <u>4,505,683</u> |
| Net Assets: | | |
| Restricted for: | | |
| Capital Outlay | 936,889 | 975,500 |
| Debt Service | 372,140 | 328,823 |
| Other Purposes | 198,536 | 194,115 |
| Set Asides' | | 18,916 |
| Unrestricted | <u>3,457,698</u> | <u>2,988,329</u> |
| Total Net Assets | <u>\$4,965,263</u> | <u>\$4,505,683</u> |

Table 2 shows the changes in net assets for fiscal year 2012 and 2011. 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**

| | Governmental Activities | |
|---|--------------------------------|-------------------|
| | 2012 | 2011 |
| Receipts: | | |
| Program Receipts: | | |
| Changes for Services and Sales | \$ 703,135 | \$ 615,053 |
| Operating Grants, Contributions and Interest | 864,188 | 1,080,692 |
| Capital Grants, Contributions and Interest | 26,161 | 27,734 |
| Total Program Receipts | <u>1,593,484</u> | <u>1,723,479</u> |
| General Receipts: | | |
| Property Taxes | 3,059,311 | 2,853,136 |
| Grants and Entitlements not Restricted to Specific Programs | 5,578,529 | 5,447,428 |
| Payments in Lieu of Taxes | 34,256 | 33,454 |
| Proceeds from Sale of Capital Assets | 384 | 987 |
| Investment Earnings | 34,825 | 31,730 |
| Miscellaneous | 59,474 | 44,842 |
| Total General Receipts | <u>8,766,779</u> | <u>8,411,577</u> |
| Total Receipts | <u>10,360,263</u> | <u>10,135,056</u> |

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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

| | Governmental Activities | |
|------------------------------------|--------------------------------|--------------------|
| | 2012 | 2011 |
| Program Disbursements: | | |
| Instruction: | | |
| Regular | 4,472,726 | 4,758,835 |
| Special | 1,348,024 | 1,299,983 |
| Vocational | 322,495 | 282,670 |
| Adult/Continuing Education | 234 | 3,106 |
| Other | 2,526 | 1,898 |
| Support Services: | | |
| Pupils | 215,816 | 303,986 |
| Instructional Staff | 278,660 | 283,930 |
| Board of Education | 19,636 | 21,267 |
| Administration | 753,120 | 744,208 |
| Fiscal | 278,457 | 275,349 |
| Operation and Maintenance of Plant | 598,879 | 672,790 |
| Food Service Operations | 330,899 | 313,480 |
| Community Services | 617 | 385 |
| Extracurricular Activities | 615,324 | 566,585 |
| Capital Outlay | 89,486 | 63,728 |
| Debt Service: | | |
| Principal Retirement | 231,175 | 255,000 |
| Interest and Fiscal Charges | 147,300 | 121,460 |
| Total Program Disbursements | 9,900,683 | 10,167,775 |
| Change in Net Assets | 459,580 | (32,719) |
| Net Assets Beginning of Year | 4,505,683 | 4,538,402 |
| Net Assets End of Year | \$4,965,263 | \$4,505,683 |

Governmental Activities

Several revenue sources fund the School District's governmental activities with intergovernmental receipts being the largest contributor. Intergovernmental receipts generated \$6.4 million in fiscal year 2012. Property tax levies were also a large revenue generator with \$3 million in fiscal year 2012 revenues. With the combination of taxes and intergovernmental receipts being 92 percent of total governmental receipts in fiscal year 2012, 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

**(Table 3)
Governmental Activities**

| | Total Costs of Services | | Net Costs of Services | |
|---|-------------------------|---------------------|-----------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Program Disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$4,472,726 | \$ 4,748,835 | \$4,038,805 | \$4,210,461 |
| Special | 1,238,024 | 1,299,983 | 1,008,665 | 1,003,563 |
| Vocational | 322,495 | 282,670 | 154,389 | 112,208 |
| Adult/Continuing Education | 234 | 3,106 | 234 | 3,106 |
| Other | 2,526 | 1,898 | 2,526 | 1,898 |
| Support Services: | | | | |
| Pupils | 215,816 | 303,986 | 207,699 | 296,036 |
| Instructional Staff | 278,660 | 283,930 | 278,660 | 271,418 |
| Board of Education | 19,636 | 21,267 | 19,636 | 21,267 |
| Administration | 753,120 | 744,208 | 463,120 | 739,208 |
| Fiscal | 278,457 | 275,349 | 278,457 | 275,349 |
| Operation and Maintenance of Plant | 598,879 | 672,790 | 555,225 | 628,240 |
| Pupil Transportation | 304,073 | 208,426 | 281,994 | 187,713 |
| Central | 1,236 | 689 | 1,236 | 689 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 330,899 | 313,480 | 10,607 | 3,636 |
| Community Services | 617 | 385 | 617 | 385 |
| Extracurricular Activities | 615,324 | 566,585 | 273,529 | 276,665 |
| Capital Outlay | 89,486 | 63,728 | 63,324 | 35,994 |
| Debt Service: | | | | |
| Principal Retirement | 231,175 | 255,000 | 231,174 | 255,000 |
| Interest and Fiscal Charges | 147,300 | 121,460 | 147,300 | 121,460 |
| Total | \$9,900,683 | \$10,167,775 | \$8,307,199 | \$8,444,296 |

In fiscal year 2012, Instruction and student support services comprise 66 percent of governmental program expenses. Board of Education, fiscal and administration charges were 11 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.

The School District's Funds

For fiscal year 2012, the School District's two major governmental funds' assets comprised \$4,259,692 or 86 percent of the \$4,965,263 in total governmental assets.

General Fund – The General Fund cash balance at June 30, 2012 was \$3,452,887, which represents 70 percent of total governmental fund cash balances. Receipts and other financing sources of the General Fund comprise \$8,621,168 or 83 percent of the total \$10,408,363 governmental funds receipts and other financing sources. General Fund disbursements and other financing uses of \$8,171,457 are 82 percent of the total \$9,948,783 disbursements and other financing uses for governmental funds. The overall change in the General Fund's cash balance was \$449,711 for fiscal year 2012. This change is mainly the result of increases in taxes and intergovernmental receipts and decreases in the cost of instruction and support services.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

OSFC Building Fund – The OSFC Building Fund cash balance at June 30, 2012 was \$806,805, which represents 16 percent of total governmental fund cash balances. The only source of fund receipts is interest earnings on the cash balance. The facilities improvement project is complete and the School District is using the funds for maintaining the constructed facilities, as required by the agreement with the State of Ohio.

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 2012, 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 2012 budget basis revenue was \$8,442,959 (excluding other financing sources), \$437,059 over the final budget estimates of \$8,005,900. Of the increase in 2012 receipts, most was attributable to increases in property taxes and intergovernmental receipts. Actual disbursements, exclusive of other financing uses, were less than final budgeted disbursements by \$200,274 mainly due to the School District cutting instruction and support services costs.

Set Asides and Debt Administration

Set Aside

Ohio law requires school districts to set aside a determined amount of certain receipts for capital improvements (see Note 12). For fiscal year 2012, this amounted to \$168,574 for the set aside. The School District has qualifying disbursements and/or offsets for capital acquisition totaling \$168,574 for fiscal year.

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. Table 4 provides a comparison of the School District's long-term debt obligations for fiscal years 2012 and 2011. See Note 10 for additional details.

**(Table 4)
Long-term Debt Obligations**

| | Governmental Activities | |
|--|--------------------------------|--------------------|
| | 2012 | 2011 |
| 2000 School Improvement Capital Appreciation Bonds | \$ 112,323 | \$ 189,537 |
| 2004 Refunding – Current Interest and Capital Appreciation Bonds | 1,109,595 | 1,212,020 |
| 2006 Refunding – Current Interest and Capital Appreciation Bonds | 1,492,008 | 1,493,482 |
| Total | <u>\$2,713,926</u> | <u>\$2,895,029</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed a portion of its tax revenue growth toward school districts with below average tax wealth. Our district was somewhat a beneficiary of this allocation of money.

The 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 \$806,805 in 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 Consolidated Local School District, 391 E. Columbus St, St. Henry, OH 45883.

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ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$4,965,263 |
| Total Assets | <u>4,965,263</u> |
| Net Assets: | |
| Restricted for: | |
| Capital Outlay | 936,889 |
| Debt Service | 372,140 |
| Other Purposes | 198,536 |
| Unrestricted | <u>3,457,698</u> |
| Total Net Assets | <u><u>\$4,965,263</u></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, 2012**

| | <u>Program Cash Receipts</u> | | | <u>Net (Disbursements) Receipts and Changes in Net Assets</u> | |
|---|-------------------------------|---|---|---|------------------------------------|
| | <u>Cash Disbursements</u> | <u>Charges for Services and Sales</u> | <u>Operating Grants, Contributions and Interest</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$4,472,726 | \$87,520 | \$346,401 | | (\$4,038,805) |
| Special | 1,238,024 | | 229,359 | | (1,008,665) |
| Vocational | 322,495 | 975 | 167,131 | | (154,389) |
| Adult/Continuing Education | 234 | | | | (234) |
| Other | 2,526 | | | | (2,526) |
| Support Services: | | | | | |
| Pupils | 215,816 | | 8,117 | | (207,699) |
| Instructional Staff | 278,660 | | | | (278,660) |
| Board of Education | 19,636 | | | | (19,636) |
| Administration | 753,120 | | | | (753,120) |
| Fiscal | 278,457 | | | | (278,457) |
| Operation and Maintenance of Plant | 598,879 | | 43,654 | | (555,225) |
| Pupil Transportation | 304,073 | 22,079 | | | (281,994) |
| Central | 1,236 | | | | (1,236) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 330,899 | 250,766 | 69,526 | | (10,607) |
| Community Services | 617 | | | | (617) |
| Extracurricular Activities | 615,324 | 341,795 | | | (273,529) |
| Capital Outlay | 89,486 | | | 26,161 | (63,325) |
| Debt Service: | | | | | |
| Principal Retirement | 231,175 | | | | (231,175) |
| Interest and Fiscal Charges | 147,300 | | | | (147,300) |
| Totals | <u>\$9,900,683</u> | <u>\$703,135</u> | <u>\$864,188</u> | <u>\$26,161</u> | <u>(8,307,199)</u> |

General Receipts:

Property Taxes Levied for:

| | |
|---|------------------------|
| General Purposes | 2,568,475 |
| Debt Service | 357,659 |
| Capital Outlay | 96,634 |
| Building Maintenance | 36,543 |
| Grants and Entitlements not Restricted to Specific Programs | 5,578,529 |
| Payments in Lieu of Taxes | 34,256 |
| Proceeds from Sale of Capital Assets | 384 |
| Investment Earnings | 34,825 |
| Miscellaneous | 59,474 |
| Total General Receipts | <u>8,766,779</u> |
| Change in Net Assets | 459,580 |
| Net Assets Beginning of Year | <u>4,505,683</u> |
| Net Assets End of Year | <u>\$4,965,263</u> |

See accompanying notes to the financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | <u>General</u> | <u>OSFC Building Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------|-------------------------------|---|---|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,452,887 | \$806,805 | \$705,571 | \$4,965,263 |
| Total Assets | <u>3,452,887</u> | <u>806,805</u> | <u>705,571</u> | <u>4,965,263</u> |
| Fund Balances: | | | | |
| Non-spendable | 6,972 | | | 6,972 |
| Restricted | | 806,805 | 700,760 | 1,507,565 |
| Assigned | 68,216 | | 4,811 | 73,027 |
| Unassigned | 3,377,699 | | | 3,377,699 |
| Total Fund Balances | <u>\$3,452,887</u> | <u>\$806,805</u> | <u>\$705,571</u> | <u>\$4,965,263</u> |

See accompanying notes to the financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| | <u>General</u> | <u>OSFC Building Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|-------------------------------|---|---|
| Receipts: | | | | |
| Property and Other Local Taxes | \$2,568,475 | | \$490,836 | \$3,059,311 |
| Intergovernmental | 5,663,669 | | 785,755 | 6,449,424 |
| Investment Income | 34,825 | \$6,067 | 371 | 41,263 |
| Tuition and Fees | 105,220 | | 975 | 106,195 |
| Extracurricular Activities | 108,868 | | 232,925 | 341,793 |
| Gifts and Donations | 4,900 | | | 4,900 |
| Charges for Services | | | 250,766 | 250,766 |
| Payments in Lieu of Taxes | 34,256 | | | 34,256 |
| Rent | 4,380 | | | 4,380 |
| Miscellaneous | 67,591 | | | 67,591 |
| Total Receipts | <u>8,592,184</u> | <u>6,067</u> | <u>1,761,628</u> | <u>10,359,879</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,059,093 | | 413,633 | 4,472,726 |
| Special | 997,164 | | 240,860 | 1,238,024 |
| Vocational | 322,495 | | | 322,495 |
| Adult/Continuing Education | | | 234 | 234 |
| Other | 2,526 | | | 2,526 |
| Support Services: | | | | |
| Pupils | 215,816 | | | 215,816 |
| Instructional Staff | 278,660 | | | 278,660 |
| Board of Education | 19,636 | | | 19,636 |
| Administration | 753,120 | | | 753,120 |
| Fiscal | 265,612 | | 12,845 | 278,457 |
| Operation and Maintenance of Plant | 594,719 | | 4,160 | 598,879 |
| Pupil Transportation | 237,067 | | 67,006 | 304,073 |
| Central | 1,236 | | | 1,236 |
| Extracurricular Activities | 400,738 | | 214,586 | 615,324 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | | | 330,899 | 330,899 |
| Community Services | 617 | | | 617 |
| Capital Outlay | 3,458 | 13,557 | 72,471 | 89,486 |
| Debt Service: | | | | |
| Principal Retirement | | | 231,175 | 231,175 |
| Interest and Fiscal Charges | | | 147,300 | 147,300 |
| Total Disbursements | <u>8,151,957</u> | <u>13,557</u> | <u>1,735,169</u> | <u>9,900,683</u> |
| Excess of Receipts Over (Under) Disbursements | <u>440,227</u> | <u>(7,490)</u> | <u>26,459</u> | <u>459,196</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Capital Assets | 384 | | | 384 |
| Advances In | 28,600 | | 19,500 | 48,100 |
| Advances Out | (19,500) | | (28,600) | (48,100) |
| Total Other Financing Sources (Uses) | <u>9,484</u> | | <u>(9,100)</u> | <u>384</u> |
| Net Change in Fund Balances | 449,711 | (7,490) | 17,359 | 459,580 |
| Fund Balances Beginning of Year | <u>3,003,176</u> | <u>814,295</u> | <u>688,212</u> | <u>4,505,683</u> |
| Fund Balances End of Year | <u>\$3,452,887</u> | <u>\$806,805</u> | <u>\$705,571</u> | <u>\$4,965,263</u> |

See accompanying notes to the financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|--------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| Property and Other Local Taxes | \$2,416,000 | \$2,416,000 | \$2,568,475 | \$152,475 |
| Intergovernmental | 5,366,000 | 5,366,000 | 5,663,669 | 297,669 |
| Investment Income | 35,000 | 35,000 | 34,825 | (175) |
| Tuition and Fees | 103,200 | 103,200 | 105,220 | 2,020 |
| Gifts and Donations | 5,700 | 5,700 | 4,900 | (800) |
| Payments in Lieu of Taxes | 34,256 | 34,256 | 34,256 | |
| Rent | 5,000 | 5,000 | 4,380 | (620) |
| Miscellaneous | 40,744 | 40,744 | 27,234 | (13,510) |
| Total Receipts | <u>8,005,900</u> | <u>8,005,900</u> | <u>8,442,959</u> | <u>437,059</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,193,300 | 4,223,300 | 4,075,708 | 147,592 |
| Special | 995,000 | 995,000 | 997,188 | (2,188) |
| Vocational | 324,400 | 324,400 | 322,495 | 1,905 |
| Other | 2,000 | 2,000 | 2,526 | (526) |
| Support Services: | | | | |
| Pupils | 221,900 | 221,900 | 211,112 | 10,788 |
| Instructional Staff | 284,200 | 284,200 | 279,066 | 5,134 |
| Board of Education | 22,200 | 22,200 | 19,636 | 2,564 |
| Administration | 756,400 | 756,400 | 753,290 | 3,110 |
| Fiscal | 264,000 | 264,000 | 268,355 | (4,355) |
| Operation and Maintenance of Plant | 665,400 | 665,400 | 594,719 | 70,681 |
| Pupil Transportation | 207,600 | 226,600 | 237,067 | (10,467) |
| Central | 1,000 | 1,000 | 1,252 | (252) |
| Extracurricular Activities | 247,200 | 247,200 | 270,237 | (23,037) |
| Operation of Non-Instructional Services: | | | | |
| Community Services | 400 | 400 | 617 | (217) |
| Capital Outlay | 3,000 | 3,000 | 3,458 | (458) |
| Total Disbursements | <u>8,188,000</u> | <u>8,237,000</u> | <u>8,036,726</u> | <u>200,274</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(182,100)</u> | <u>(231,100)</u> | <u>406,233</u> | <u>637,333</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Capital Assets | 1,500 | 1,500 | 384 | (1,116) |
| Refund of Prior Year Expenditures | 1,000 | 1,000 | | (1,000) |
| Advances In | | | 35,100 | 35,100 |
| Advances Out | (400) | (400) | (25,700) | (25,300) |
| Total Other Financing Sources (Uses) | <u>2,100</u> | <u>2,100</u> | <u>9,784</u> | <u>7,684</u> |
| Net Change in Fund Balance | <u>(180,000)</u> | <u>(229,000)</u> | <u>416,017</u> | <u>645,017</u> |
| Fund Balance Beginning of Year - Restated (Note 3) | <u>2,953,042</u> | <u>2,953,042</u> | <u>2,953,042</u> | |
| Prior Year Encumbrances Appropriated | <u>25,184</u> | <u>25,184</u> | <u>25,184</u> | |
| Fund Balance End of Year | <u>\$2,798,226</u> | <u>\$2,749,226</u> | <u>\$3,394,243</u> | <u>\$645,017</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, 2012

| | <u>Agency</u> |
|--|-----------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$40,021 |
| Total Assets | <u>40,021</u> |
| | |
| Net Assets: | |
| Held in Trust for Employees | 1,443 |
| Held for Student Activities | 38,578 |
| Total Net Assets | <u>\$40,021</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, 2012**

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 in Mercer and Darke Counties as authorized by state statute and/or federal guidelines.

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, 2012
(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, 2012
(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 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 2012:

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 Funds

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 only fiduciary funds are 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 employee paid portions of 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, 2012
(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 code 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, 2012
(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 year-end 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 2012 were \$34,825, of which \$10,607 was assigned from other funds.

E. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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.

H. 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.

I. 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.

J. 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.

K. 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.

L. 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.”

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

3. RESTATEMENT OF FUND BALANCE

The fund balance on the *Statement of Receipts, Disbursement and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis)* was overstated, due to an error in the 7/1/2010 fund balance of \$97,239 for the fiscal year ended June 30, 2011. The balance has been restated as follows:

| | |
|--|---------------------|
| | General Fund |
| Fund Balance at June 30, 2011 | \$3,050,281 |
| Overstatement | (97,239) |
| Adjusted Fund Balance at June 30, 2011 | \$2,953,042 |

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, 2012
(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, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 \$4,998,824 and the bank balance was \$5,009,614. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,759,614 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, 2012, the School District had \$6,460 un-deposited cash on hand included in equity in pooled cash and cash equivalents.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2012 (other than public utility property) represent the collection of calendar year 2012 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 2012 were levied after October 1, 2011, on the value as of December 31, 2011. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES (Continued)

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 was eliminated by calendar year 2011. The tax was 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. On June 30, 2011, House Bill 153 was signed into law which further reduced the amounts of these reimbursements.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2012 taxes were collected are:

| | 2011 Second-Half Collections | | 2012 First-Half Collections | |
|--|---|----------------|--|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$91,992,820 | 97.1% | \$102,092,180 | 97.3% |
| Public Utility | 2,755,250 | 2.9% | 2,805,130 | 2.7% |
| Total Assessed Value | <u>\$94,748,070</u> | <u>100.0%</u> | <u>\$104,897,310</u> | <u>100.0%</u> |
| Tax Rate per \$1,000 of Assessed Valuation | \$38.81 | | \$37.08 | |

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 2012 amounted to \$34,256.

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 2012, the School District contracted with Schools of Ohio Risk Sharing Authority and Selective Insurance Company of South Carolina, respectively, for the following insurance coverage:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

| | |
|---|--------------|
| Buildings and Contents - Replacement Cost | \$40,281,135 |
| 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 2012, the School District contracted with Sheakley Uniservice, Inc., a third party workers' compensation claims administrator. Sheakley is responsible for evaluating and processing workers' compensation claims in a timely manner.

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. PENSION PLANS

A. School Employees Retirement System

Plan Description - 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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$138,241, \$139,615 and \$136,353, respectively; 36 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that 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.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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, 2012
(Continued)**

8. PENSION PLANS (Continued)

Funding Policy - For fiscal year 2012, 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$543,235 , \$563,000 and \$576,549, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$7,858 made by the School District and \$5,613 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,925, \$14,261, and \$4,480, respectively; 36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,406, \$7,579, and \$7,402, respectively; 36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$41,787, \$43,308, and \$44,350, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

| <u>General Long-Term Obligations</u> | <u>Interest Rates</u> | <u>Balance 6/30/2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 6/30/2012</u> | <u>Due Within One Year</u> |
|--|---------------------------|------------------------------|------------------|-------------------|------------------------------|--------------------------------|
| 2006 School Improvement: | | | | | | |
| Refunding Current Interest Bonds | 3.75-5.75% | \$1,100,000 | | \$ 20,000 | \$1,080,000 | \$ 25,000 |
| Capital Appreciation Bonds | 4.18-4.30% | 314,998 | | | 314,998 | |
| Accretion for Cap. App. Bonds | | 78,484 | \$18,526 | | 97,010 | |
| 2004 School Improvement: | | | | | | |
| Refunding Bonds | 2.3-5.5% | 1,145,000 | | 125,000 | 1,020,000 | 135,000 |
| Capital Appreciation Bonds | | 9,999 | | | 9,999 | |
| Accretion for Cap. App. Bonds | | 57,011 | 22,585 | | 79,596 | |
| 2000 School Improvement: | | | | | | |
| Capital Appreciation Bonds | 4.4-5.75% | 40,786 | | 18,490 | 22,296 | 22,296 |
| Accretion for Cap. App. Bonds | | 148,751 | 8,961 | 67,685 | 90,027 | |
| Total General Long-Term Obligations | | <u>\$2,895,029</u> | <u>\$50,072</u> | <u>\$231,175</u> | <u>\$2,713,926</u> | <u>\$182,296</u> |

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 2012, \$18,526 was accreted for a total bond value of \$412,008 as of June 30, 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

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

The capital appreciation bonds will mature in fiscal year 2014 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$135,000. For fiscal year 2012, \$22,585 was accreted for total bond value of \$89,595 as of June 30, 2012.

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 year 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$115,000. For fiscal year 2012, \$8,961 was accreted for total bond value of \$112,323 as of June 30, 2012.

The School District's overall debt margin was \$6,178,740 with an un-voted debt margin of \$94,748 at June 30, 2012.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012, were as follows:

| Fiscal Year June 30, | 2000 General Obligation Capital Appreciation Bonds | 2004 General Obligation Serial and Term Bonds | 2004 General Obligation Capital Appreciation Bonds | 2006 General Obligation Serial and Term Bonds | 2006 General Obligation Capital Appreciation Bonds | Total Interest/ Accretion | Total |
|----------------------------|--|---|---|---|---|---------------------------------|-------------|
| 2013 | \$22,296 | \$135,000 | | \$25,000 | | \$ 200,616 | \$ 382,912 |
| 2014 | | | \$9,999 | | \$104,051 | 270,863 | 384,913 |
| 2015 | | 135,000 | | | 106,225 | 150,311 | 391,536 |
| 2016 | | 140,000 | | | 104,722 | 149,941 | 394,663 |
| 2017 | | 145,000 | | 140,000 | | 83,512 | 368,512 |
| 2018-2022 | | 465,000 | | 80,000 | | 2,300 | 82,300 |
| 2023 | \$22,296 | \$1,020,000 | \$9,999 | \$1,080,000 | \$314,998 | \$1,040,088 | \$3,487,381 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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> |
|----------------------------|---------------------------|----------------------------------|-------------------------------|-------------------------------|
| Restricted for: | | | | |
| Capital Improvements | | \$806,805 | \$130,084 | \$ 936,889 |
| Debt Service | | | 372,140 | 372,140 |
| Classroom Maintenance | | | 65,939 | 65,939 |
| Food Service Operations | | | 29,808 | 29,808 |
| Student Activities | | | 102,789 | 102,789 |
| Total Restricted | | <u>806,805</u> | <u>700,760</u> | <u>1,507,565</u> |
| Non-spendable: | | | | |
| Unclaimed Monies | \$6,972 | | | 6,972 |
| Total Non-spendable | <u>6,972</u> | | | <u>6,972</u> |
| Assigned for: | | | | |
| Adult Education | | | 4,811 | 4,811 |
| Unpaid Obligations | 41,659 | | | 41,659 |
| Educational Activities | 10,313 | | | 10,313 |
| Extracurricular Activities | 16,244 | | | 16,244 |
| Total Assigned | <u>68,216</u> | | <u>4,811</u> | <u>73,027</u> |
| Unassigned | <u>3,377,699</u> | | | <u>3,377,699</u> |
| Total Fund Balance | <u><u>\$3,452,887</u></u> | <u><u>\$806,805</u></u> | <u><u>\$705,571</u></u> | <u><u>\$4,965,263</u></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 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 2012, 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 capital improvements and budget stabilization during fiscal year 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. STATUTORY RESERVES (Continued)

| | Capital Acquisition | Budget Stabilization |
|---|--------------------------------|---------------------------------|
| Set Aside Reserve Balance June 30, 2011 | | \$19,755 |
| Current Year Set Aside Requirement | \$168,574 | |
| Current Year Qualifying Disbursements | (35,397) | |
| Excess Qualified Disbursements from Prior Year | | |
| Current Year Offsets | (133,177) | |
| Prior Year Offsets from Bond Proceeds | | |
| Total | _____ | 19,755 |
| Balance Carried Forward to Fiscal year 2013 | _____ | _____ |
| Set Aside Reserve Balance June 30, 2012 | \$0 | \$19,755 |

The School District had qualifying expenditures of \$35,397 during the fiscal year toward the capital improvements set aside amount. 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.

13. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is participant in the Northwest Ohio Area Computer Services Cooperative (the "NOACSC") which is a computer consortium. The NOACSC is an Information Technology Center (ITC) Cooperative organized as a Regional Council of Governments or COG. NOACSC is an association of fifty-two public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert and Wood Counties. The organization was formed for the purposes of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member school districts. The governing board of NOACSC consists of fourteen superintendents and treasurers who are employed by member schools within the computer consortium. 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; 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, 2012
(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, 2012
(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 Steven Dandurand, Corporate One Benefits; 220 Perry Street; Suite 200; Fostoria, Ohio 44830

15. CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

16. ADVANCES

During the fiscal year ended June 30, 2012, the following advances in and out occurred:

| <u>Fund</u> | <u>Advances In</u> | <u>Advances Out</u> |
|-----------------------------|--------------------|---------------------|
| General | \$28,600 | \$19,500 |
| All Other Governmental: | | |
| Athletic Fund | 8,000 | 15,000 |
| Vo. Ag. Fifth Quarter Grant | | 3,700 |
| Title I | 11,500 | |
| Title II Grant | | 9,900 |
| Total of Governmental | <u>\$48,100</u> | <u>\$48,100</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. ADVANCES (Continued)

Advances were made at the end of fiscal year 2012 from the General Fund to various Other Governmental Funds to cover operations or expenditures made while awaiting reimbursement by granting authorities. The General Fund received \$28,600 which was repayment of prior year advances.

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:

| Net Change in Fund Balance | |
|-----------------------------------|---------------------|
| | General Fund |
| Budget basis | \$416,017 |
| Funds budgeted elsewhere** | 13,719 |
| Adjustment for encumbrances | 19,975 |
| Cash basis | \$449,711 |

** 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 2012, 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, 2012**

| Federal Grantor/ Pass Through Grantor Program Title | Year | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|-------------|------------------------------------|------------------|------------------------------|----------------------|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>(Passed through Ohio Department of Education)</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Non-Cash Assistance (food distribution) | | | | | | |
| National School Lunch Program | | 10.555 | | \$54,189 | | \$52,916 |
| Cash Assistance: | | | | | | |
| National School Lunch Program | | 10.555 | \$68,414 | | \$68,414 | |
| Total Nutrition Cluster | | | <u>68,414</u> | <u>54,189</u> | <u>68,414</u> | <u>52,916</u> |
| Total U.S. Department of Agriculture | | | <u>68,414</u> | <u>54,189</u> | <u>68,414</u> | <u>52,916</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>(Passed through Ohio Department of Education)</i> | | | | | | |
| Education Jobs Fund | 2012 | 84.410 | 312,907 | | 312,907 | |
| Improving Teacher Quality | 2012 | 84.367 | 9,806 | | | |
| | 2011 | | 17,890 | | 17,890 | |
| Total Improving Teacher Quality | | | <u>27,696</u> | | <u>17,890</u> | |
| Race to the Top Incentive Grant, Recovery Act | 2012 | 84.395 | 350 | | 350 | |
| Title I Grants to Local Educational Agencies | 2012 | 84.010 | 56,341 | | 67,841 | |
| Educational Technology State Grants | 2012 | 84.318 | 398 | | 398 | |
| Total U.S. Department of Education | | | <u>397,692</u> | | <u>399,386</u> | |
| Total Federal Assistance | | | <u>\$466,106</u> | <u>\$54,189</u> | <u>\$467,800</u> | <u>\$52,916</u> |

See Accompanying Notes to the Schedule of Federal Awards Receipts and Disbursements.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Disbursements (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.



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 District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2012. 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 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 9, 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, the 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

November 9, 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 St. Henry Consolidated Local School District's major federal program for the year ended June 30, 2012. 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 opine 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*. These 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 these 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 these 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, 2012.

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, to determine our auditing procedures for the purpose of opining on compliance and to 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.

**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, the board of education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

November 9, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Education Jobs – CFDA# 84.410 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

FINDING NUMBER 2012-001

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 for fiscal year 2012 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2011-001 | 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 2012-001 |

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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
DECEMBER 11, 2012**