



Dave Yost • Auditor of State



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

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ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis 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 School District) as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2016 and 2015 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 28, 2017

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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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, 2016. 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 2016 are as follows:

- q In 2016, general receipts accounted for \$9,665,322 or 86 percent of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, contributions and interest accounted for \$1,619,184 or 14 percent of total receipts of \$11,284,506.
- q Total program disbursements in 2016 were \$10,327,400.
- q In 2016, net position increased \$957,106.

***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 position 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. For governmental funds these statements present financial information by fund, presenting the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the St. Henry Consolidated Local School District, the General Fund is by far the most significant fund.

***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 position 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, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016*

*Unaudited  
(Continued)*

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***Reporting the School District as a Whole***

*Statement of Net Position 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 2016?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position 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 Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, capital outlay, extracurricular activities, debt service, 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 8. 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 fund is the General 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.



**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*  
*(Continued)*

***Reporting the District's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

**(Table 1)**  
**Net Position**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 5,968,166	\$ 5,011,060
<i>Total Assets</i>	<i>5,968,166</i>	<i>5,011,060</i>
<b>Net Position</b>		
Restricted for:		
Capital Outlay	106,138	19,089
Debt Service	542,317	505,427
Other Purposes	157,771	117,563
Unrestricted	5,161,940	4,368,981
<i>Total Net Position</i>	<i>\$ 5,968,166</i>	<i>\$ 5,011,060</i>

Net position of the governmental activities increased \$957,106, which represents a 19 percent increase from fiscal year 2015. The increase in cash and cash equivalents is due in part to the collection of a full fiscal year of property tax revenue from a renewal levy with an increase.

A portion of the School District's net position, \$806,226 or 14 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$5,161,940 may be used to meet the School District's ongoing obligations.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited  
(Continued)*

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

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

	Governmental Activities	
	2016	2015
<b>Receipts</b>		
<b><i>Program Receipts</i></b>		
Charges for Services and Sales	\$ 896,778	\$ 752,354
Operating Grants, Contributions and Interest	722,406	803,243
<b><i>Total Program Receipts</i></b>	<b><u>1,619,184</u></b>	<b><u>1,555,597</u></b>
<b><i>General Receipts</i></b>		
Property Taxes	3,805,301	3,511,552
Grants and Entitlements not Restricted to Specific Programs	5,729,196	5,624,622
Payments in Lieu of Taxes	38,197	29,099
Proceeds from Sale of Capital Assets	10,272	1,668
Investment Earnings	29,918	25,564
Miscellaneous	52,438	90,942
<b><i>Total General Receipts</i></b>	<b><u>9,665,322</u></b>	<b><u>9,283,447</u></b>
<b><i>Total Receipts</i></b>	<b><u>11,284,506</u></b>	<b><u>10,839,044</u></b>
<b><i>Program Disbursements</i></b>		
Instruction:		
Regular	4,824,889	4,641,082
Special	1,554,419	1,447,916
Vocational	281,809	223,589
Adult/Continuing Education	0	2,508
Other	0	3,380
Support Services:		
Pupils	241,970	205,936
Instructional Staff	159,130	162,817
Board of Education	20,718	20,431
Administration	728,929	763,537
Fiscal	321,128	290,061
Operation and Maintenance of Plant	586,653	612,389
Pupil Transportation	182,260	290,412
Central	1,809	1,618
Operation of Non-Instructional Services:		
Food Service Operations	315,963	336,816
Extracurricular Activities	628,619	622,600
Capital Outlay	84,441	126,892
Debt Service:		
Principal Retirement	244,722	241,226
Interest and Fiscal Charges	149,941	150,312
<b><i>Total Program Disbursements</i></b>	<b><u>10,327,400</u></b>	<b><u>10,143,522</u></b>
<b><i>Change in Net Position</i></b>	<b>957,106</b>	<b>695,522</b>
<b><i>Net Position Beginning of Year</i></b>	<b>5,011,060</b>	<b>4,315,538</b>
<b><i>Net Position End of Year</i></b>	<b><u>\$ 5,968,166</u></b>	<b><u>\$ 5,011,060</u></b>

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited  
(Continued)*

**Governmental Activities**

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

**(Table 3)  
Governmental Activities**

	Total Costs of Services		Net Costs of Services	
	2016	2015	2016	2015
<b><i>Program Disbursements</i></b>				
<b>Instruction:</b>				
Regular	\$ 4,824,889	\$ 4,641,082	\$ 4,587,134	\$ 4,506,439
Special	1,554,419	1,447,916	1,063,156	918,349
Vocational	281,809	223,589	159,341	100,302
Adult/Continuing Education	0	2,508	0	2,508
Other	0	3,380	0	3,380
<b>Support Services:</b>				
Pupils	241,970	205,936	241,970	205,936
Instructional Staff	159,130	162,817	159,130	162,817
Board of Education	20,718	20,431	20,718	20,431
Administration	728,929	763,537	728,929	763,537
Fiscal	321,128	290,061	321,128	290,061
Operation and Maintenance of Plant	586,653	612,389	586,653	605,528
Pupil Transportation	182,260	290,412	153,447	261,013
Central	1,809	1,618	1,809	1,618
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	315,963	336,816	(31,212)	(33,138)
Extracurricular Activities	628,619	622,600	242,736	260,714
Capital Outlay	84,441	126,892	78,614	126,892
<b>Debt Service:</b>				
Principal Retirement	244,722	241,226	244,722	241,226
Interest and Fiscal Charges	149,941	150,312	149,941	150,312
<b>Total</b>	<b>\$ 10,327,400</b>	<b>\$ 10,143,522</b>	<b>\$ 8,708,216</b>	<b>\$ 8,587,925</b>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 16 percent of all governmental expenses. Property taxes and grants and entitlements not restricted to specific purposes are the largest area of support for the School District students.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*  
*(Continued)*

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***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$5,968,166, which is higher than the prior year balance of \$5,011,060.

The general fund's fund balance increased \$792,959 in 2016, primarily due to an increase in property tax receipts.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the School District slightly modified 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, original and final budget basis receipts were \$9,133,900. Actual receipts were \$503,276 more than the final budget, primarily due to an underestimation of tuition and fees and property tax receipts.

The general fund final budget basis disbursements were \$9,094,720, which is over the original budget disbursements of \$8,895,099. Actual disbursements, of \$8,940,989 were \$153,731 lower than the final budget due to cost savings in operation and maintenance of plant and administration expenditures.

There were no significant variances to discuss within other financing sources and uses.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*  
*(Continued)*

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***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

**(Table 4)**  
**Outstanding Debt**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
2004 Refunding - Current Interest Bonds	\$ 610,000	\$ 750,000
2006 Refunding - Current Interest and Capital Appreciation Bonds	<u>1,055,000</u>	<u>1,212,197</u>
<i>Total</i>	<u>\$ 1,665,000</u>	<u>\$ 1,962,197</u>

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

***Current Issues***

St. Henry Consolidated Local School District continued the strong stewardship of public funds by reducing expenditures in fiscal year 2016, resulting in the fifth consecutive year of revenue exceeding expenditures. The School District is proud of its community support of the school system. As the preceding information shows, the School District relies heavily on its local property tax. In May 2014, the Board of Education submitted an operating levy, which was approved by the residents. Securing the tax proceeds for the next five years stabilizes the necessary revenue source for operations.

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 legislative mandates in public education, rising student technology costs, increased special education services required for our students, and significant increases in health insurance premiums.

**St. Henry Consolidated Local School District**

**Mercer County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2016*

*Unaudited*

*(Continued)*

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The School District is always concerned with state funding formulas, the resources available to the state, and the proportions allocated to education. On June 30, 2015 Governor Kasich signed the two year budget for fiscal year 2015-16 and fiscal year 2016-17 into law which included slight changes to the previous school funding formula. The new funding system will continue to calculate the main component of the formula, known as Core Opportunity Aid, using a per pupil amount times the ADM of the School District. The per pupil amounts are \$5,900 in fiscal year 2016 and \$6,000 in fiscal year 2017. This allocation is then multiplied by a State Share index which is determined based on the School District's 3 year average valuation per pupil and median income compared to statewide averages. Changes in the new budget formula included increases in Special Education per pupil allocations and K-3 literacy funding, and reductions in transportation funding. The increases in Core Opportunity Aid are capped at 7.5% in fiscal year 2016 and fiscal year 2017 of the previous year funding received by the School District, after the formula is applied to the School District's demographics. A new component to the formula, Capacity Aid, will provide addition funding for school districts. The Capacity Aid component is additional funding above the formula cap on Core Opportunity Aid. This funding will provide new funding for school districts where the income generated for one mill of property tax is below the state median for what is generated. Due to continuous decrease in student enrollment and increase in property valuations, the School District would lose over \$400,000 annually in state funding if the funding formula was applied. St. Henry Schools continues to be funded on the "Guarantee" for both FY2016 and FY2017. This component of the State Budget guaranteed School Districts that they would not receive less state funding than they did during the prior biennial budget. Future elimination of this component of the State Budget would result in significant funding cuts to the School District.

The administration continues to try to balance education needs and community interests with the resources made available. The challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited and changing funding. Current operating trends indicate that with careful oversight the School District will have at least two months of operating cash on hand and be financially solvent for the foreseeable future.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information contact: Jennifer Bruns, Treasurer/CFO, St. Henry Consolidated Local School District, 391 E. Columbus Street, St. Henry, Ohio 45883.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2016*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 5,968,166</u>
<i>Total Assets</i>	<u>5,968,166</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	106,138
Debt Service	542,317
Other Purposes	157,771
Unrestricted	<u>5,161,940</u>
<i>Total Net Position</i>	<u><u>\$ 5,968,166</u></u>

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 4,824,889	\$ 222,097	\$ 15,658	\$ (4,587,134)
Special	1,554,419	0	491,263	(1,063,156)
Vocational	281,809	0	122,468	(159,341)
Support Services:				
Pupils	241,970	0	0	(241,970)
Instructional Staff	159,130	0	0	(159,130)
Board of Education	20,718	0	0	(20,718)
Administration	728,929	0	0	(728,929)
Fiscal	321,128	0	0	(321,128)
Operation and Maintenance of Plant	586,653	0	0	(586,653)
Pupil Transportation	182,260	21,352	7,461	(153,447)
Central	1,809	0	0	(1,809)
Operation of Non-Instructional Services:				
Food Service Operations	315,963	269,946	77,229	31,212
Extracurricular Activities	628,619	383,383	2,500	(242,736)
Capital Outlay	84,441	0	5,827	(78,614)
Debt Service:				
Principal Retirement	244,722	0	0	(244,722)
Interest and Fiscal Charges	149,941	0	0	(149,941)
<i>Totals</i>	<u>\$ 10,327,400</u>	<u>\$ 896,778</u>	<u>\$ 722,406</u>	<u>(8,708,216)</u>

**General Receipts**

Property Taxes Levied for:

General Purposes	3,290,161
Debt Service	367,019
Capital Outlay	109,365
Building Maintenance	38,756
Grants and Entitlements not Restricted to Specific Programs	5,729,196
Payments in Lieu of Taxes	38,197
Proceeds from Sale of Assets	10,272
Investment Earnings	29,918
Miscellaneous	52,438

*Total General Receipts* 9,665,322

Change in Net Position 957,106

*Net Position Beginning of Year* 5,011,060

*Net Position End of Year* \$ 5,968,166

See accompanying notes to the basic financial statements.



**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2016*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,161,940	\$ 806,226	\$ 5,968,166
<i>Total Assets</i>	<u>\$ 5,161,940</u>	<u>\$ 806,226</u>	<u>\$ 5,968,166</u>
<b>Fund Balances</b>			
Restricted	\$ 0	\$ 806,226	\$ 806,226
Assigned	73,558	0	73,558
Unassigned	<u>5,088,382</u>	<u>0</u>	<u>5,088,382</u>
<i>Total Fund Balances</i>	<u>\$ 5,161,940</u>	<u>\$ 806,226</u>	<u>\$ 5,968,166</u>

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$ 3,290,161	\$ 515,140	\$ 3,805,301
Intergovernmental	5,994,728	449,138	6,443,866
Investment Income	29,918	36	29,954
Tuition and Fees	236,805	0	236,805
Extracurricular Activities	193,124	190,260	383,384
Gifts and Donations	5,200	2,500	7,700
Charges for Services	0	269,947	269,947
Payments in Lieu of Taxes	38,197	0	38,197
Rent	6,643	0	6,643
Miscellaneous	52,437	0	52,437
<i>Total Receipts</i>	<u>9,847,213</u>	<u>1,427,021</u>	<u>11,274,234</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	4,763,731	61,158	4,824,889
Special	1,349,948	204,471	1,554,419
Vocational	277,429	4,380	281,809
Support Services:			
Pupils	241,970	0	241,970
Instructional Staff	159,130	0	159,130
Board of Education	20,718	0	20,718
Administration	728,929	0	728,929
Fiscal	309,265	11,863	321,128
Operation and Maintenance of Plant	582,990	3,663	586,653
Pupil Transportation	182,260	0	182,260
Central	1,809	0	1,809
Extracurricular Activities	455,136	173,483	628,619
Operation of Non-Instructional Services:			
Food Service Operations	284	315,679	315,963
Capital Outlay	29,927	54,514	84,441
Debt Service:			
Principal Retirement	0	244,722	244,722
Interest and Fiscal Charges	0	149,941	149,941
<i>Total Disbursements</i>	<u>9,103,526</u>	<u>1,223,874</u>	<u>10,327,400</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>743,687</u>	<u>203,147</u>	<u>946,834</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	10,272	0	10,272
Advances In	39,000	0	39,000
Advances Out	0	(39,000)	(39,000)
<i>Total Other Financing Sources (Uses)</i>	<u>49,272</u>	<u>(39,000)</u>	<u>10,272</u>
<i>Net Change in Fund Balances</i>	792,959	164,147	957,106
<i>Fund Balances Beginning of Year</i>	<u>4,368,981</u>	<u>642,079</u>	<u>5,011,060</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,161,940</u>	<u>\$ 806,226</u>	<u>\$ 5,968,166</u>

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 3,010,000	\$ 3,010,000	\$ 3,290,161	\$ 280,161
Intergovernmental	5,900,200	5,900,200	5,994,728	94,528
Investment Income	27,000	27,000	29,918	2,918
Tuition and Fees	113,000	113,000	236,805	123,805
Gifts and Donations	4,700	4,700	5,200	500
Payments in Lieu of Taxes	31,000	31,000	38,197	7,197
Rent	5,000	5,000	6,643	1,643
Miscellaneous	43,000	43,000	35,524	(7,476)
<i>Total Receipts</i>	<u>9,133,900</u>	<u>9,133,900</u>	<u>9,637,176</u>	<u>503,276</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,711,599	4,801,220	4,774,321	26,899
Special	1,348,600	1,388,600	1,356,038	32,562
Vocational	259,200	259,200	278,490	(19,290)
Other	1,500	1,500	0	1,500
Support Services:				
Pupils	208,100	208,100	239,174	(31,074)
Instructional Staff	166,800	166,800	160,485	6,315
Board of Education	23,100	23,100	20,718	2,382
Administration	768,900	776,900	729,048	47,852
Fiscal	295,500	322,500	309,899	12,601
Operation and Maintenance of Plant	622,200	632,200	585,099	47,101
Pupil Transportation	212,900	212,900	183,281	29,619
Central	1,600	1,600	1,809	(209)
Extracurricular Activities	259,700	259,700	272,416	(12,716)
Operation of Non-Instructional Services:				
Community Services	400	400	284	116
Capital Outlay	15,000	40,000	29,927	10,073
<i>Total Disbursements</i>	<u>8,895,099</u>	<u>9,094,720</u>	<u>8,940,989</u>	<u>153,731</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>238,801</u>	<u>39,180</u>	<u>696,187</u>	<u>657,007</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	500	500	10,272	9,772
Refund of Prior Year Expenditures	11,000	11,000	12,142	1,142
Advances In	0	0	39,000	39,000
<i>Total Other Financing Sources (Uses)</i>	<u>11,500</u>	<u>11,500</u>	<u>61,414</u>	<u>49,914</u>
<i>Net Change in Fund Balance</i>	250,301	50,680	757,601	706,921
<i>Fund Balance Beginning of Year</i>	4,222,069	4,222,069	4,222,069	0
Prior Year Encumbrances Appropriated	108,711	108,711	108,711	0
<i>Fund Balance End of Year</i>	<u>\$ 4,581,081</u>	<u>\$ 4,381,460</u>	<u>\$ 5,088,381</u>	<u>\$ 706,921</u>

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2016*

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	Agency
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 119,993
<i>Total Assets</i>	\$ 119,993
<b>Net Position</b>	
Held for Employees	\$ 86,440
Held for Student Activities	33,553
<i>Total Net Position</i>	\$ 119,993

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	<u>Scholarship</u>
<b>Additions</b>	
Gifts and Contributions	\$ 3,000
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>3,000</u>
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u>\$ 0</u>

See accompanying notes to the basic financial statements.

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**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 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 five jointly governed organizations and three 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 Northwestern Ohio Educational Research Council, Inc., the Metropolitan Educational Council, the Southwestern Ohio Educational Purchasing Council, the Mercer Auglaize Employee Benefit Trust and the Ohio School Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**NOTE 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. Following are the more significant of the School District’s accounting policies.

**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 basis of accounting. 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources as well as their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows of resources 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.

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**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position 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 Position 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.

**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.



**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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The funds of the financial reporting entity are described below:

Governmental Funds

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

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.

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 fiduciary funds include a private purpose trust fund and agency funds. The School District's private purpose trust fund accounts for scholarships for students. Agency funds are custodial in nature (assets equal net position) 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.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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**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 Mercer County Budget Commission for rate determination.

**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.

**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 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, alter object appropriations within General fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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**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.

**Lapsing of Appropriations**

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

**D. Cash and 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 2016 were \$29,918, of which \$4,736 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.

**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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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**G. Long-Term Debt**

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

**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 Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**M. Equity Classifications**

GOVERNMENT-WIDE STATEMENTS

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

- a. Restricted net position – Consists of net position 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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- b. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

Net position 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 position is available.

#### 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. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016  
(Continued)*

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

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

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Transfers within governmental activities are eliminated on the government-wide financial statements.

**O. Receipts and Disbursements**

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 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.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, debt service, and food service operations.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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**P. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2016, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

**NOTE 3 - 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

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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



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investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***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 \$6,087,099 and the bank balance was \$6,259,756. Of the bank balance, \$250,000 was covered by federal depository insurance and \$6,009,756 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, 2016, the School District had \$1,060 undeposited cash on hand included in equity in pooled cash and cash equivalents.

**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 129,522,840	97.4%	\$ 139,594,900	97.7%
Public Utility Personal Property	3,481,620	2.6%	3,274,140	2.3%
Total Assessed Value	\$ 133,004,460	100.0%	\$ 142,869,040	100.0%
Full Tax Rate per \$1,000 of assessed valuation - Mercer County	\$36.11		\$35.91	
- Darke County	\$35.91		\$35.71	

**NOTE 5 – 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 2016 amounted to \$38,197.

**NOTE 6 - 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 2016, the School District contracted with the Ohio School Plan for the following insurance coverage:

Buildings and Contents - Replacement Cost	\$42,954,149
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.

For fiscal year 2016, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. See Note 13 for more information about the Ohio School Plan.

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**B. Workers' Compensation**

For fiscal year 2016, the School District contracted with CompManagement., a third party workers' compensation claims administrator. CompManagement 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. See Note 13 for more information about the Mercer Auglaize Employee Benefit Trust.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows

	Eligible to Retire before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$91,198 for fiscal year 2016.

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***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$654,008 for fiscal year 2016.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 10,636,507	\$ 1,913,443	\$ 12,549,950
Proportion of the Net Pension Liability	0.03848637%	0.03353330%	

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

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**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted a certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 2,653,257	\$ 1,913,443	\$ 1,290,458

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.



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The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 14,774,910	\$ 10,636,507	\$ 7,136,870

**NOTE 8: POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of

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plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$15,300, \$26,985 and \$18,076, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$41,120, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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**NOTE 9 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2016 were as follows:

<u>General Long-Term Obligations</u>	<u>Interest Rates</u>	<u>Balance 6/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2016</u>	<u>Due Within One Year</u>
<b>2006 School Improvement</b>						
Refunding Current Interest Bonds	3.75-5.75%	\$ 1,055,000	\$ 0	\$ 0	\$ 1,055,000	\$ 140,000
Capital Appreciation Bonds	4.18-4.30%	104,721	0	104,721	0	0
Accretion for Cap. App. Bonds		52,476	2,802	55,278	0	0
<b>2004 School Improvement</b>						
Refunding Bonds	2.3-5.5%	750,000	0	140,000	610,000	145,000
Total General Long-Term Obligations		<u>\$ 1,962,197</u>	<u>\$ 2,802</u>	<u>\$ 299,999</u>	<u>\$ 1,665,000</u>	<u>\$ 285,000</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 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.

Capital appreciation bonds matured in fiscal years 2014 and 2015, respectively. The remaining bond matured in fiscal year 2016 and was not subject to redemption prior to maturity. The maturity amounts of the bonds are \$145,000, \$155,000, and \$159,999, respectively. For fiscal year 2016, \$2,802 was accreted for a total bond value of \$159,999 (original principal plus accumulated accretion) as of June 30, 2016.

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For the Fiscal Year Ended June 30, 2016  
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**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 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 matured in fiscal year 2014 and were not subject to redemption prior to maturity. The maturity amount of the bonds was \$140,000.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, were as follows:

<b>Fiscal Year June 30,</b>	<b>2004 Bonds</b>	<b>2006 Bonds</b>	<b>Total Interest</b>	<b>Total</b>
	<b>Serial and Term Bonds</b>	<b>Serial and Term Bonds</b>		
2017	\$ 145,000	\$ 140,000	\$ 83,512	\$ 368,512
2018	155,000	150,000	67,675	372,675
2019	160,000	160,000	50,888	370,888
2020	150,000	165,000	33,794	348,794
2021	0	175,000	20,269	195,269
2022-2023	0	265,000	12,219	277,219
	<u>\$ 610,000</u>	<u>\$ 1,055,000</u>	<u>\$ 268,357</u>	<u>\$ 1,933,357</u>

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**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016  
(Continued)*

**NOTE 10 – FUND BALANCE**

Fund balance is classified as nonspendable, 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>Other Governmental</u>	<u>Total Governmental</u>
<b>Restricted for:</b>			
Capital Improvements	\$ 0	\$ 106,138	\$ 106,138
Debt Service	0	542,317	542,317
Classroom Maintenance	0	36,348	36,348
Food Service Operations	0	9,768	9,768
Extracurricular Activities	0	109,080	109,080
Other Purposes	0	2,575	2,575
Total Restricted	<u>0</u>	<u>806,226</u>	<u>806,226</u>
<b>Assigned for:</b>			
Instruction	17,741	0	17,741
Support Services	5,248	0	5,248
Adult Education	1,978	0	1,978
Educational Activities	6,061	0	6,061
Extracurricular Activities	42,530	0	42,530
Total Assigned	<u>73,558</u>	<u>0</u>	<u>73,558</u>
<b>Unassigned</b>	<u>5,088,382</u>	<u>0</u>	<u>5,088,382</u>
<b>Total Fund Balance</b>	<u><b>\$ 5,161,940</b></u>	<u><b>\$ 806,226</b></u>	<u><b>\$ 5,968,166</b></u>

**NOTE 11 - 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 2016, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2016.

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance June 30, 2015	\$ 0	\$ 19,755
Current Year Set Aside Requirement	161,514	0
Current Year Offsets	(169,990)	0
Total	\$ (8,476)	\$ 19,755
Balance Carried Forward to Fiscal Year 2017	\$ 0	\$ 0
Set Aside Reserve Balance June 30, 2016	\$ 0	\$ 19,755

Although the School District had offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

**NOTE 12 - 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, Lucas, 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 Becky Rees, Director, 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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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 over 200 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.

**NOTE 13 - GROUP PURCHASING POOL**

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council ("SOEPC") is a purchasing council made up of 148 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.

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

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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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.

Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Stolly Insurance Group, and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Stolly Insurance Group serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Stolly Insurance Group, 1730 Allentown Road, Lima, OH 45805.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

**B. 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.

**C. Other Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 27,449
Other Governmental	20,284
	<u>\$ 47,733</u>



**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

**D. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District. The financial statement impact was determined to be immaterial and is not reported as an asset or liability of the School District.

**NOTE 15 – ADVANCES**

During the fiscal year ended June 30, 2016, the following advances in and out occurred:

	<u>Advances In</u>	<u>Advances Out</u>
Fund:		
General	\$ 39,000	\$ 0
Other Governmental Funds:		
Food Service	0	19,000
Other Grants	0	3,000
Vocational Education Enhancement	0	2,000
Title I	0	15,000
	\$ 39,000	\$ 39,000

The General Fund received \$39,000 which was repayment of prior year advances.

**NOTE 16 – 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:

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
(Continued)

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Net Change in Fund Balance

	<u>General Fund</u>
Cash basis	\$ 792,959
Funds budgeted elsewhere**	(12,368)
Adjustment for encumbrances	<u>(22,990)</u>
Budget Basis	<u><u>\$ 757,601</u></u>

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

**NOTE 17 – SUBSEQUENT EVENT**

The School District participates in the Tri-Star Career Compact. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education. On January 19, 2017, Tri-Star issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the qualifying partnership (School Districts) with an interest rate from 2 percent to 4.2 percent. The bonds mature in fiscal year 2032 and will be repaid from a property tax levied by the qualifying partnership. If the proceeds of the tax collection are less than anticipated in any year, the school district making up the qualifying partnership are obligated to make up the amount of any shortfall.

**NOTE 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 2016, 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 cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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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, 2015. 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 2015 are as follows:

- q In 2015, general receipts accounted for \$9,283,447 or 86 percent of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, contributions and interest accounted for \$1,555,597 or 14 percent of total receipts of \$10,839,044.
- q Total program disbursements in 2015 were \$10,143,522.
- q In 2015, net position increased \$695,522.

***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 position 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. For governmental funds these statements present financial information by fund, presenting the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the St. Henry Consolidated Local School District, the General Fund and the Bond Retirement Fund are by far the most significant funds.

***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 position 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, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*  
*(Continued)*

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***Reporting the School District as a Whole***

*Statement of Net Position 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 2015?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position 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 Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, capital outlay, extracurricular activities, debt service, 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 52. 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 Bond Retirement 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.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)*

***Reporting the District's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

**(Table 1)  
Net Position**

	Governmental Activities	
	2015	2014
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 5,011,060	\$ 4,315,538
<i>Total Assets</i>	5,011,060	4,315,538
<b>Net Position</b>		
Restricted for:		
Capital Outlay	19,089	327
Debt Service	505,427	459,551
Other Purposes	117,563	80,371
Unrestricted	4,368,981	3,775,289
<i>Total Net Position</i>	\$ 5,011,060	\$ 4,315,538

Net position of the governmental activities increased \$695,522, which represents a 16 percent increase from fiscal year 2014. The increase in cash and cash equivalents is due in part to a \$394,000 increase in property taxes revenue. In May 2014, the School District passed a renewal levy with an increase. These collections began in January 2015. In addition, both Mercer and Darke Counties had significant increases in property valuations for tax year 2014 that impacted tax receipts in the second half of fiscal year 2015.

A portion of the School District's net position, \$642,079 or 13 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$4,368,981 may be used to meet the School District's ongoing obligations.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*  
*(Continued)*

Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

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

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 752,354	\$ 744,135
Operating Grants, Contributions and Interest	803,243	730,845
<i>Total Program Receipts</i>	<u>1,555,597</u>	<u>1,474,980</u>
<b>General Receipts</b>		
Property Taxes	3,511,552	3,117,265
Grants and Entitlements not Restricted to Specific Programs	5,624,622	5,559,762
Payments in Lieu of Taxes	29,099	31,199
Proceeds from Sale of Capital Assets	1,668	1,010
Investment Earnings	25,564	27,608
Miscellaneous	90,942	96,675
<i>Total General Receipts</i>	<u>9,283,447</u>	<u>8,833,519</u>
<i>Total Receipts</i>	<u>10,839,044</u>	<u>10,308,499</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	4,641,082	4,653,629
Special	1,447,916	1,303,726
Vocational	223,589	236,825
Adult/Continuing Education	2,508	450
Other	3,380	660
Support Services:		
Pupils	205,936	238,344
Instructional Staff	162,817	150,234
Board of Education	20,431	20,124
Administration	763,537	780,307
Fiscal	290,061	277,633
Operation and Maintenance of Plant	612,389	610,195
Pupil Transportation	290,412	294,498
Central	1,618	2,076
Operation of Non-Instructional Services:		
Food Service Operations	336,816	384,666
Extracurricular Activities	622,600	626,346
Capital Outlay	126,892	73,380
Debt Service:		
Principal Retirement	241,226	114,050
Interest and Fiscal Charges	150,312	270,863
<i>Total Program Disbursements</i>	<u>10,143,522</u>	<u>10,038,006</u>
<i>Excess / (Deficiency) Before Special Item</i>	695,522	270,493
Special Item	0	(996,027)
<i>Change in Net Position</i>	695,522	(725,534)
<i>Net Position Beginning of Year</i>	<u>4,315,538</u>	<u>5,041,072</u>
<i>Net Position End of Year</i>	<u>\$ 5,011,060</u>	<u>\$ 4,315,538</u>

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, the fiscal year 2014 column was also updated.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)*

**Governmental Activities**

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

**(Table 3)  
Governmental Activities**

	Total Costs of Services		Net Costs of Services	
	2015	2014	2015	2014
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 4,641,082	\$ 4,653,629	\$ 4,506,439	\$ 4,544,171
Special	1,447,916	1,303,726	918,349	792,915
Vocational	223,589	236,825	100,302	129,711
Adult/Continuing Education	2,508	450	2,508	450
Other	3,380	660	3,380	660
Support Services:				
Pupils	205,936	238,344	205,936	238,344
Instructional Staff	162,817	150,234	162,817	150,234
Board of Education	20,431	20,124	20,431	20,124
Administration	763,537	780,307	763,537	780,307
Fiscal	290,061	277,633	290,061	277,633
Operation and Maintenance of Plant	612,389	610,195	605,528	603,234
Pupil Transportation	290,412	294,498	261,013	260,891
Central	1,618	2,076	1,618	2,076
Operation of Non-Instructional Services:				
Food Service Operations	336,816	384,666	(33,138)	20,578
Extracurricular Activities	622,600	626,346	260,714	283,405
Capital Outlay	126,892	73,380	126,892	73,380
Debt Service:				
Principal Retirement	241,226	114,050	241,226	114,050
Interest and Fiscal Charges	150,312	270,863	150,312	270,863
<b><i>Total</i></b>	<b><u>\$ 10,143,522</u></b>	<b><u>\$ 10,038,006</u></b>	<b><u>\$ 8,587,925</u></b>	<b><u>\$ 8,563,026</u></b>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 15 percent of all governmental expenses. Property taxes and grants and entitlements not restricted to specific purposes are the largest area of support for the School District students.

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, the fiscal year 2014 column was also updated.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

*Unaudited  
(Continued)*

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***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$5,011,060, which is higher than the prior year balance of \$4,315,538.

The general fund had total cash receipts of \$9,322,737. The cash disbursements of the general fund totaled \$8,797,413. The general fund's fund balance increased \$593,692 in 2015, primarily due to an increase in property tax receipts.

The bond retirement fund balance increased \$45,876 in fiscal year 2015. This is due to timing differences between tax receipts and debt payments.

***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 2015, the School District slightly modified 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, original and final budget basis receipts, including other financing sources, were \$8,921,700. Actual receipts, including other financing sources, were \$325,365 more than the final budget, primarily due to an underestimation of intergovernmental and property tax receipts.

The general fund final budget basis disbursements, including other financing uses, were \$8,857,400, which is over the original budget disbursements of \$8,702,400. Actual disbursements, of \$8,759,640 were \$97,760 lower than the final budget due to cost savings in regular instruction.



**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*  
*(Continued)*

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2015 and 2014.

**(Table 4)**  
**Outstanding Debt**

	Governmental Activities	
	2015	2014
2004 Refunding - Current Interest and Capital Appreciation Bonds	\$ 750,000	\$ 885,000
2006 Refunding - Current Interest and Capital Appreciation Bonds	1,212,197	1,357,459
<i>Total</i>	\$ 1,962,197	\$ 2,242,459

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

***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 2014, 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 legislative mandates in public education, rising student technology costs, increased special education services required for our students, and significant increases in health insurance premiums.

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

**St. Henry Consolidated Local School District**

**Mercer County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

*(Continued)*

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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 recovering state 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.

***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 Jennifer Bruns, Treasurer of St. Henry Consolidated Local School District, 391 E. Columbus St, St. Henry, OH 45883.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,011,060
<i>Total Assets</i>	5,011,060
<b>Net Position</b>	
Restricted for:	
Capital Outlay	19,089
Debt Service	505,427
Other Purposes	117,563
Unrestricted	4,368,981
<i>Total Net Position</i>	\$ 5,011,060

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**

**Mercer County, Ohio**

*Statement of Activities - Cash Basis*

*For the Fiscal Year Ended June 30, 2015*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 4,641,082	\$ 88,452	\$ 46,191	\$ (4,506,439)
Special	1,447,916	0	529,567	(918,349)
Vocational	223,589	0	123,287	(100,302)
Adult/Continuing Education	2,508	0	0	(2,508)
Other	3,380	0	0	(3,380)
Support Services:				
Pupils	205,936	0	0	(205,936)
Instructional Staff	162,817	0	0	(162,817)
Board of Education	20,431	0	0	(20,431)
Administration	763,537	0	0	(763,537)
Fiscal	290,061	0	0	(290,061)
Operation and Maintenance of Plant	612,389	0	6,861	(605,528)
Pupil Transportation	290,412	20,415	8,984	(261,013)
Central	1,618	0	0	(1,618)
Operation of Non-Instructional Services:				
Food Service Operations	336,816	281,601	88,353	33,138
Extracurricular Activities	622,600	361,886	0	(260,714)
Capital Outlay	126,892	0	0	(126,892)
Debt Service:				
Principal Retirement	241,226	0	0	(241,226)
Interest and Fiscal Charges	150,312	0	0	(150,312)
<b>Totals</b>	<b>\$ 10,143,522</b>	<b>\$ 752,354</b>	<b>\$ 803,243</b>	<b>(8,587,925)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	2,993,667
Debt Service	371,793
Capital Outlay	107,850
Building Maintenance	38,242
Grants and Entitlements not Restricted to Specific Programs	5,624,622
Payments in Lieu of Taxes	29,099
Proceeds from Sale of Capital Assets	1,668
Investment Earnings	25,564
Miscellaneous	90,942

*Total General Receipts* 9,283,447

Change in Net Position 695,522

*Net Position Beginning of Year* 4,315,538

*Net Position End of Year* \$ 5,011,060

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2015*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,368,981	\$ 505,427	\$ 136,652	\$ 5,011,060
<i>Total Assets</i>	<u>\$ 4,368,981</u>	<u>\$ 505,427</u>	<u>\$ 136,652</u>	<u>\$ 5,011,060</u>
<b>Fund Balances</b>				
Restricted	0	505,427	\$ 136,652	642,079
Assigned	146,910	0	0	146,910
Unassigned	<u>4,222,071</u>	<u>0</u>	<u>0</u>	<u>4,222,071</u>
<i>Total Fund Balances</i>	<u>\$ 4,368,981</u>	<u>\$ 505,427</u>	<u>\$ 136,652</u>	<u>\$ 5,011,060</u>

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,993,667	\$ 371,793	\$ 146,092	\$ 3,511,552
Intergovernmental	5,906,307	74,311	441,946	6,422,564
Investment Income	25,564	0	0	25,564
Tuition and Fees	104,583	0	0	104,583
Extracurricular Activities	163,549	0	198,338	361,887
Gifts and Donations	5,300	0	0	5,300
Charges for Services	0	0	281,601	281,601
Payments in Lieu of Taxes	29,099	0	0	29,099
Rent	4,284	0	0	4,284
Miscellaneous	90,384	0	558	90,942
<i>Total Receipts</i>	<u>9,322,737</u>	<u>446,104</u>	<u>1,068,535</u>	<u>10,837,376</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,534,604	0	106,478	4,641,082
Special	1,240,797	0	207,119	1,447,916
Vocational	217,339	0	6,250	223,589
Adult/Continuing Education	2,508	0	0	2,508
Other	3,380	0	0	3,380
Support Services:				
Pupils	205,936	0	0	205,936
Instructional Staff	162,817	0	0	162,817
Board of Education	20,431	0	0	20,431
Administration	763,537	0	0	763,537
Fiscal	277,968	8,690	3,403	290,061
Operation and Maintenance of Plant	608,521	0	3,868	612,389
Pupil Transportation	290,412	0	0	290,412
Central	1,618	0	0	1,618
Extracurricular Activities	455,243	0	167,357	622,600
Operation of Non-Instructional Services:				
Food Service Operations	247	0	336,569	336,816
Capital Outlay	12,055	0	114,837	126,892
Debt Service:				
Principal Retirement	0	241,226	0	241,226
Interest and Fiscal Charges	0	150,312	0	150,312
<i>Total Disbursements</i>	<u>8,797,413</u>	<u>400,228</u>	<u>945,881</u>	<u>10,143,522</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>525,324</u>	<u>45,876</u>	<u>122,654</u>	<u>693,854</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	1,668	0	0	1,668
Advances In	105,700	0	39,000	144,700
Advances Out	(39,000)	0	(105,700)	(144,700)
<i>Total Other Financing Sources (Uses)</i>	<u>68,368</u>	<u>0</u>	<u>(66,700)</u>	<u>1,668</u>
<i>Net Change in Fund Balances</i>	593,692	45,876	55,954	695,522
<i>Fund Balances Beginning of Year</i>	<u>3,775,289</u>	<u>459,551</u>	<u>80,698</u>	<u>4,315,538</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,368,981</u>	<u>\$ 505,427</u>	<u>\$ 136,652</u>	<u>\$ 5,011,060</u>

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,693,779	\$ 2,920,070	\$ 2,993,667	\$ 73,597
Intergovernmental	5,990,600	5,775,233	5,906,307	131,074
Investment Income	27,681	26,403	25,564	(839)
Tuition and Fees	112,087	106,857	104,583	(2,274)
Gifts and Donations	4,841	4,576	5,300	724
Payments in Lieu of Taxes	31,775	30,320	29,099	(1,221)
Rent	5,114	4,900	4,284	(616)
Miscellaneous	54,323	41,841	49,635	7,794
<i>Total Receipts</i>	<u>8,920,200</u>	<u>8,910,200</u>	<u>9,118,439</u>	<u>208,239</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,703,700	4,748,700	4,616,214	132,486
Special	1,251,600	1,261,600	1,240,797	20,803
Vocational	242,800	242,800	219,303	23,497
Other	3,000	3,000	3,380	(380)
Support Services:				
Pupils	195,500	195,500	198,744	(3,244)
Instructional Staff	146,200	146,200	164,093	(17,893)
Board of Education	22,200	22,200	20,936	1,264
Administration	779,900	779,900	763,624	16,276
Fiscal	285,600	285,600	280,517	5,083
Operation and Maintenance of Plant	594,200	594,200	610,155	(15,955)
Pupil Transportation	210,800	310,800	290,509	20,291
Central	1,500	1,500	1,618	(118)
Extracurricular Activities	261,000	261,000	279,459	(18,459)
Operation of Non-Instructional Services:				
Community Services	400	400	247	153
Capital Outlay	4,000	4,000	31,044	(27,044)
<i>Total Disbursements</i>	<u>8,702,400</u>	<u>8,857,400</u>	<u>8,720,640</u>	<u>136,760</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>217,800</u>	<u>52,800</u>	<u>397,799</u>	<u>344,999</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	500	500	1,668	1,168
Refund of Prior Year Expenditures	1,000	11,000	21,258	10,258
Advances In	0	0	105,700	105,700
Advances Out	0	0	(39,000)	(39,000)
<i>Total Other Financing Sources (Uses)</i>	<u>1,500</u>	<u>11,500</u>	<u>89,626</u>	<u>78,126</u>
<i>Net Change in Fund Balance</i>	<u>219,300</u>	<u>64,300</u>	<u>487,425</u>	<u>423,125</u>
<i>Fund Balance Beginning of Year</i>	3,696,282	3,696,282	3,696,282	0
Prior Year Encumbrances Appropriated	38,362	38,362	38,362	0
<i>Fund Balance End of Year</i>	<u>\$ 3,953,944</u>	<u>\$ 3,798,944</u>	<u>\$ 4,222,069</u>	<u>\$ 423,125</u>

See accompanying notes to the basic financial statements.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2015*

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	Agency
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 129,522
<i>Total Assets</i>	\$ 129,522
 <b>Net Position</b>	
Held in Trust for Employees	\$ 53
Held for Student Activities	129,469
<i>Total Net Position</i>	\$ 129,522

See accompanying notes to the basic financial statements.



**St. Henry Consolidated Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Scholarship
<b>Additions</b>	
Gifts and Contributions	\$ 1,500
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,500
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$ 0

See accompanying notes to the basic financial statements.

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**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 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 five jointly governed organizations and three 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 Northwestern Ohio Educational Research Council, Inc., the Metropolitan Educational Council, the Southwestern Ohio Educational Purchasing Council, the Mercer Auglaize Employee Benefit Trust and the Ohio School Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**NOTE 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. Following are the more significant of the School District’s accounting policies.

**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 basis of accounting. 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources as well as their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows of resources 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.

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**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position 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 Position 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.

**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:

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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- 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:

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 2015:

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.

Bond Retirement Fund The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

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 fiduciary funds include a private purpose trust fund and agency funds. The School District's private purpose trust fund accounts for scholarships for students. Agency funds are custodial in nature (assets equal net position) 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.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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**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 Mercer County Budget Commission for rate determination.

**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.

**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 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, alter object appropriations within General fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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**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.

**Lapsing of Appropriations**

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

**D. Cash and 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 2015 were \$25,564, of which \$3,814 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.

**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.

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**G. Long-Term Debt**

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

**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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.



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*Notes to the Basic Financial Statements*  
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**M. Equity Classifications**

GOVERNMENT-WIDE STATEMENTS

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

- a. Restricted net position – Consists of net position 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 position – All other net position that do not meet the definition of “restricted.”

Net position 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 position is available.

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.

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- 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. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**N. Receipts and Disbursements**

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 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.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, debt service, and food service operations.

**O. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

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GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. See Note 7 for further information.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends [paragraph 137 of GASB Statement No. 68](#) to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 7 for further information.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

**St. Henry Consolidated Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
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.

***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.

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At fiscal year-end, the carrying amount of the School District's deposits was \$5,139,522 and the bank balance was \$5,301,249. Of the bank balance, \$250,000 was covered by federal depository insurance and \$5,051,249 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, 2015, the School District had \$1,060 undeposited cash on hand included in equity in pooled cash and cash equivalents.

**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 105,198,370	97.2%	\$ 129,522,840	97.4%
Public Utility Personal Property	2,981,410	2.8%	3,481,620	2.6%
Total Assessed Value	<u>\$ 108,179,780</u>	<u>100.0%</u>	<u>\$ 133,004,460</u>	<u>100.0%</u>
Full Tax Rate per \$1,000				
of assessed valuation - Mercer County	<u>\$36.51</u>		<u>\$36.11</u>	
- Darke County	<u>\$36.31</u>		<u>\$35.91</u>	

**St. Henry Consolidated Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
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**NOTE 5 – 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 2015 amounted to \$29,099.

**NOTE 6 - 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 2015, the School District contracted with the Ohio School Plan for the following insurance coverage:

Buildings and Contents - Replacement Cost	\$42,111,910
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.

For fiscal year 2015, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. See Note 13 for more information about the Ohio School Plan.

**B. Workers' Compensation**

For fiscal year 2015, the School District contracted with CompManagement., a third party workers' compensation claims administrator. CompManagement is responsible for evaluating and processing workers' compensation claims in a timely manner.

**St. Henry Consolidated Local School District**  
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*Notes to the Basic Financial Statements*  
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**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. See Note 13 for more information about the Mercer Auglaize Employee Benefit Trust.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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*Notes to the Basic Financial Statements*  
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(Continued)

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017*
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$158,093 for fiscal year 2015.



**St. Henry Consolidated Local School District**  
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*Notes to the Basic Financial Statements*  
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***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**St. Henry Consolidated Local School District  
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*Notes to the Basic Financial Statements  
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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$575,216 for fiscal year 2015.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 9,411,537	\$ 1,665,253	\$ 11,076,790
Proportion of the Net Pension Liability	0.0003869325	0.0003290400	

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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*Notes to the Basic Financial Statements*  
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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

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For the Fiscal Year Ended June 30, 2015  
(Continued)*

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 2,375,821	\$ 1,665,253	\$ 1,067,604

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 13,473,642	\$ 9,411,537	\$ 5,976,364

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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**NOTE 8: 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 2015 was \$104.90 for most participants, but could be as high as \$335.70 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](http://www.ohsers.org) under Employers/Audit Resources.

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 fiscal year 2015, 0.82 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 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 2015, the actuarially determined amount was \$20,450.

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, 2015, 2014, and 2013 were \$26,985, \$18,076, and \$15,857, respectively; 85 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015  
(Continued)*

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 2015, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$9,404, \$7,453 and \$7,396, respectively; 85 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**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](http://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. Effective July 1, 2014, zero percent of covered payroll was allocated to post-employment health care. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for health care for the fiscal years ended June 30, 2014 and 2013 were \$41,120 and \$42,115, respectively; 100% percent has been contributed for fiscal years 2014 and 2013.

**NOTE 9 – LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

<u>General Long-Term Obligations</u>	<u>Interest Rates</u>	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2015</u>	<u>Due Within One Year</u>
<b>2006 School Improvement</b>						
Refunding Current Interest Bonds	3.75-5.75%	\$ 1,055,000	\$ 0	\$ 0	\$ 1,055,000	\$ 0
Capital Appreciation Bonds	4.18-4.30%	210,947	0	106,226	104,721	104,721
Accretion for Cap. App. Bonds		91,512	9,738	48,774	52,476	52,476
<b>2004 School Improvement</b>						
Refunding Bonds	2.3-5.5%	885,000	0	135,000	750,000	140,000
Total General Long-Term Obligations		<u>\$ 2,242,459</u>	<u>\$ 9,738</u>	<u>\$ 290,000</u>	<u>\$ 1,962,197</u>	<u>\$ 297,197</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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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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 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.

Capital appreciation bonds matured in fiscal years 2014 and 2015, respectively. The remaining bond will mature in fiscal year 2016 and is not subject to redemption prior to maturity. The maturity amounts of the bonds are \$145,000, \$155,000, and \$160,000, respectively. For fiscal year 2015, \$9,738 was accreted for a total bond value of \$157,197 (original principal plus accumulated accretion) as of June 30, 2015.

**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 matured in fiscal year 2014 and were not subject to redemption prior to maturity. The maturity amount of the bonds was \$140,000.



**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year June 30,	2004 Bonds	2006 Bonds		Total	Total
	Serial and Term Bonds	Serial and Term Bonds	Capital Appreciation Bonds	Interest/ Accretion	
2016	\$ 140,000	\$ 0	\$ 104,721	\$ 149,941	\$ 394,662
2017	145,000	140,000	0	83,512	368,512
2018	155,000	150,000	0	67,675	372,675
2019	160,000	160,000	0	50,888	370,888
2020	150,000	165,000	0	33,794	348,794
2021-2023	0	440,000	0	32,488	472,488
	<u>\$ 750,000</u>	<u>\$ 1,055,000</u>	<u>\$ 104,721</u>	<u>\$ 418,298</u>	<u>\$ 2,328,019</u>

**NOTE 10 – FUND BALANCE**

Fund balance is classified as nonspendable, 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:

	General	Bond Retirement	Other Governmental	Total Governmental
<b>Restricted for:</b>				
Capital Improvements	\$ 0	\$ 0	\$ 19,089	\$ 19,089
Debt Service	0	505,427	0	505,427
Classroom Maintenance	0	0	11,341	11,341
Food Service Operations	0	0	934	934
Extracurricular Activities	0	0	89,803	89,803
Other Purposes	0	0	15,485	15,485
Total Restricted	<u>0</u>	<u>505,427</u>	<u>136,652</u>	<u>642,079</u>
<b>Assigned for:</b>				
Instruction	83,572	0	0	83,572
Support Services	6,148	0	0	6,148
Adult Education	1,978	0	0	1,978
Educational Activities	4,097	0	0	4,097
Capital Outlay	18,989	0	0	18,989
Extracurricular Activities	32,126	0	0	32,126
Total Assigned	<u>146,910</u>	<u>0</u>	<u>0</u>	<u>146,910</u>
<b>Unassigned</b>	<u>4,222,071</u>	<u>0</u>	<u>0</u>	<u>4,222,071</u>
<b>Total Fund Balance</b>	<u><b>\$ 4,368,981</b></u>	<u><b>\$ 505,427</b></u>	<u><b>\$ 136,652</b></u>	<u><b>\$ 5,011,060</b></u>

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015  
(Continued)*

**NOTE 11 - 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 2015, 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 2015.

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance June 30, 2014	\$ 0	\$ 19,755
Current Year Set Aside Requirement	162,769	0
Current Year Offsets	<u>(171,538)</u>	<u>0</u>
 Total	 <u>\$ (8,769)</u>	 <u>\$ 19,755</u>
 Balance Carried Forward to Fiscal Year 2016	 <u>\$ 0</u>	 <u>\$ 0</u>
 Set Aside Reserve Balance June 30, 2015	 <u>\$ 0</u>	 <u>\$ 19,755</u>

Although the School District had offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

**NOTE 12 - 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, Lucas, 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.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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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 Becky Rees, Director, 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

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 over 200 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.

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015  
(Continued)*

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**NOTE 13 - GROUP PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Council**

The Southwestern Ohio Educational Purchasing Council (“SOEPC”) is a purchasing council made up of 148 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.

**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.

**Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan’s business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Stolly Insurance Group, and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan’s administrator and is responsible for processing claims. Stolly Insurance Group serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Stolly Insurance Group, 1730 Allentown Road, Lima, OH 45805.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

**B. 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.

**C. Other Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 110,934
Other Governmental	9,988
	<u>\$ 120,922</u>

**D. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District. The financial statement impact was determined to be immaterial and is not reported as an asset or liability of the School District.

**St. Henry Consolidated Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**NOTE 15 – ADVANCES**

During the fiscal year ended June 30, 2015, the following advances in and out occurred:

	<u>Advances In</u>	<u>Advances Out</u>
Fund:		
General	\$ 105,700	\$ 39,000
Other Governmental Funds:		
Permanent Improvements	0	22,000
Food Service	19,000	49,000
Other Grants	3,000	0
Vocational Education Enhancement	2,000	1,100
Title I	15,000	33,500
Title II	0	100
	<u>\$ 144,700</u>	<u>\$ 144,700</u>

Advances were made at the end of fiscal year 2015 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 \$105,700 which was repayment of prior year advances.

**NOTE 16 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
Cash basis	\$ 593,692
Funds budgeted elsewhere**	2,444
Adjustment for encumbrances	<u>(108,711)</u>
Budget Basis	<u>\$ 487,425</u>

**St. Henry Consolidated Local School District  
Mercer County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015  
(Continued)*

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\*\* 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 adult education, special rotary, public school support and unclaimed monies funds.

**NOTE 17 – 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 2015, 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 cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Henry Consolidated Local School District, Mercer County, (the School District) as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 28, 2017, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 2016-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 28, 2017

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Noncompliance – Failure to File GAAP**

**Ohio Rev. Code § 117.38** provides, in part, that each public office, other than a state agency, 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 § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

**Ohio Rev. Code § 117.38** also states the report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The auditor of state may extend the deadline for filing a financial report and establish terms and conditions for any such extension.

**Ohio Admin. Code § 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2016 and 2015 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, 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.

In addition, the School District filed its fiscal year 2015 report late. The filing date requirement was August 31, 2015, but the financial report was not filed until September 1, 2015.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, deferred inflows/outflows, equity, and the disclosures required to accurately and completely present the School District's financial condition. The School District should also file the report within the required amount of time set in the Ohio Revised Code.

**Official's Response:** The District has elected to prepare the annual financial statements on the cash basis which incorporates the reporting format required by the Government Accounting Standards Board Statement No. 34. The District does not believe the inclusion of accruals reported under Generally Accepted Accounting Principles adds significant value to the presentation of the statements to justify the additional expense required with preparation and audit of such statements.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	<p>Ohio Rev. Code § 117.38 &amp; Ohio Admin. Code § 117-2-03(B) – Failed to prepared financial statements in accordance with GAAP.</p> <p>This was first reported for the fiscal years ended June 30, 2005 and 2004</p>	No	Repeated as Finding 2016-01



# 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  
NOVEMBER 9, 2017**