



**Auditor of State  
Betty Montgomery**



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

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MERCER COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2005 and 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal years then ended in conformity with the basis of accounting Note 1 describes.

For the fiscal years ended June 30, 2005 and 2004, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

January 26, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)**

The discussion and analysis of the St. Henry Consolidated Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal years ended June 30, 2005 and 2004. 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 2005 and 2004 are as follows:

- During 2004, General Receipts accounted for \$6,953,323 or 83% of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,474,893 or 17% of total receipts of \$8,428,214. During 2005, General Receipts accounted for \$9,523,809 or 87% of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,474,896 or 13% of total receipts of \$10,998,705.
- Total program disbursements during 2004 were \$8,853,999; \$8,586,059 of the total is in governmental activities. During 2005, total program disbursements were \$10,494,485; \$10,244,250 in governmental activities.
- In total, net assets decreased \$(425,785) during 2004. During 2005, net assets increased in total, \$504,220.

**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 School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statements of Net Assets* and *Statements of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the St. Henry Consolidated Local School District, the general fund is by far the most significant fund.

**Basis of Accounting**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**Reporting the School District as a Whole**

**Statements of Net Assets and the Statements 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 years 2005 and 2004?" The Statements of Net Assets and the Statements of Activities answer this question.

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

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

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

**Fund Financial Statements**

The analysis of the School District's major fund begins on page 13 for fiscal year 2005 and page 21 for fiscal year 2004. 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, OSFC Building Fund and the Debt Service Fund for fiscal year 2005 and the General Fund and OSFC Building Fund for fiscal year 2004.

**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.

**Proprietary Funds** – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Assets. The School District has three enterprise funds – the Lunch Room fund, Uniform School Supplies fund, and Community Education fund.

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities, reported in agency funds, include various student organizations such as Student Council and Future Teachers of America. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on pages 18 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**The School District as a Whole**

This year's financial statements were prepared on the cash basis utilizing the GASB 34 format. The audited financial statements for fiscal year 2003 were also prepared on a cash basis, but did not utilize the GASB Statement No. 34 format. For comparison purposes 2003 has been included in the table for Net Assets.

Table 1 provides a summary of the School District's net assets for 2005, 2004 and 2003:

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

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$2,992,793	\$2,502,420	\$2,949,552	\$74,656	\$60,809	\$39,462
Total Assets	<u>2,992,793</u>	<u>2,502,420</u>	<u>2,949,550</u>	<u>74,656</u>	<u>60,809</u>	<u>39,462</u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	1,058,996	959,558	1,037,347	0	0	0
Debt Service	138,953	179,115	235,610	0	0	0
Other Purposes	202,156	193,708	136,050	0	0	0
Unrestricted	<u>1,592,688</u>	<u>1,170,039</u>	<u>1,540,545</u>	<u>74,656</u>	<u>60,809</u>	<u>39,462</u>
Total Net Assets	<u>\$2,992,793</u>	<u>\$2,502,420</u>	<u>\$2,949,552</u>	<u>\$74,656</u>	<u>\$60,809</u>	<u>\$39,462</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2005 and 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, receipt and disbursement comparisons to fiscal year 2003 are not available. This table will present fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Receipts</b>				
<b>Program Receipts</b>				
Charges for Services	\$ 515,184	\$518,833	\$ 221,094	\$ 254,195
Operating Grants	697,036	664,365	41,582	37,500
<b>General Receipts</b>				
Property Taxes	2,191,963	2,077,256	0	0
Payments in Lieu of Taxes	25,645	33,005	0	0
Grants and Entitlements	5,423,087	4,754,706	0	0
Sale of Assets	3,500	8,305	0	0
Sale of Refunding Bonds	1,749,999	0	0	0
Interest	65,308	39,460	1,406	528
Miscellaneous	62,901	39,997	0	64
Advances	0	3,000	0	(3,000)
<b>Total Receipts</b>	<b>\$10,734,623</b>	<b>\$8,138,927</b>	<b>\$264,082</b>	<b>\$ 289,287</b>
<b>Disbursements</b>				
<b>Program Disbursements</b>				
Instruction	5,336,556	5,145,708	0	0
Support Services	2,161,913	2,465,651	0	0
Non-Instructional	476	286	0	0
Extracurricular	574,203	576,426	0	0
Capital Outlay	49,140	11,773	0	0
Debt Service	2,121,962	386,215	0	0
Uniform School Supply	0	0	0	28,735
Adult Education	0	0	949	36
Food Services	0	0	249,286	239,169
<b>Total Disbursements</b>	<b>10,244,250</b>	<b>8,586,059</b>	<b>250,235</b>	<b>267,940</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 490,373</b>	<b>\$(447,132)</b>	<b>\$ 13,847</b>	<b>\$ 21,347</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

Several revenue sources fund the School District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$2.1 million during 2005 and \$2.0 million during 2004. General receipts from grants and entitlements, such as the school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental receipts funding over 74% of the expenses in governmental activities during 2005, and over 79% during 2004, the School District monitors both of these revenue sources very closely for fluctuations. The percentage reduction in these revenues for 2005 is due to the issuance of refunding bonds.

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

**(Table 3)  
Governmental Activities**

	<b>2005</b>		<b>2004</b>	
	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>
Instruction	\$ 5,336,556	\$4,618,716	\$5,145,708	\$4,462,463
Support Services:				
Pupil and Instructional Staff	523,568	499,124	727,847	704,196
Board of Education, Administration And Fiscal	800,724	789,665	809,554	801,387
Operation and Maintenance of Plant	598,775	588,565	757,712	747,844
Pupil Transportation	237,128	229,626	168,012	162,675
Central	1,718	1,663	2,526	2,446
Operation of Non-Instructional Services	476	461	286	277
Extracurricular Activities	574,203	173,145	576,426	162,870
Capital Outlay	49,140	44,685	11,773	8,199
Debt Service	2,121,962	2,086,380	386,215	350,504
<b>Total</b>	<b>\$10,244,250</b>	<b>\$9,032,030</b>	<b>\$8,586,059</b>	<b>\$7,402,861</b>

During 2005, Instruction and student support services comprise 57% of governmental program expenses. Interest, fiscal and administration charges were 10%. Interest expense was attributable to the outstanding bonds; fiscal expenses include payments to the County Auditor(s) for administrative fees and other administrative services provided by the District. Pupil transportation and the operation/maintenance of facilities accounts for 8% of governmental program expenses. During fiscal year 2004, on the other hand, instruction and student support services comprise 68% of governmental program expenses. Interest, fiscal and administration charges remained near 12%. Pupil transportation and operation/maintenance of facilities accounts for 11% of governmental program expenses. The percentage reduction in instruction and student support services for 2005 is due to debt service payments related to the refunding bond issue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**Business-Type Activities**

In reviewing the business-type activities' net receipts/(disbursements) resulting from cash basis transactions, there are certain activities that will be examined in an effort to obtain positive cash flow in the future.

**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 years 2005 and 2004, the School District did modify its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, fiscal year 2005 budget basis revenue was \$7,925,015, over the final budget estimates of \$7,887,200. For fiscal year 2004 budget basis revenue was \$7,082,118, under the final budget estimates of \$7,343,000. Of the decrease in 2004 receipts, most was attributable to lower property tax receipts. Note the tax rate assessed was increased and the tax receipts of 2005 were in line with budget. The increase during fiscal year 2005 was attributable to increased intergovernmental revenues.

**Set Asides and Debt Administration**

**Set Aside**

A change in Ohio law required school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks (see note 13). For fiscal year 2005, this amounted to \$160,756 for each set aside; for fiscal year 2004 the required reserve was \$158,241. The School District has qualifying disbursements or offsets for capital acquisition totaling \$154,064 and \$135,923 for fiscal year 2005 and 2004, respectively. For the textbooks, the School District disbursed \$106,602 during 2005 and \$136,935 during 2004, with the remaining balance at June 30, 2005 scheduled to be carried forward into the 2006 fiscal year.

**Debt**

During December 2004, the District issued refunding bonds in repayment of the majority of the 1995 School Improvement bonds. As of June 30, 2005, the School District had \$4,092,771 in general obligation bonds outstanding. See note 12 for additional details.

**Current Issues**

The 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. During March 2004, the Board of Education submitted an operating levy which was approved by the residents.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

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 during 1976. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annual in property taxes. If three years later the home was reappraised and increased in value to \$200,000, the effective tax rate would become 0.5 mills and the homeowner would still pay \$35.00 in property taxes. This rollback of property millage does not increase tax collections, and therefore, created the need for school districts to routinely seek voter approval for operating funds.

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

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

The School District does not anticipate any meaningful growth in State revenue during fiscal years 2006 and 2007 which could place the School District in deficit spending during this time period. How the legislature plans to fund education programs in the future during a weakened economy remains a big concern.

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

The School District has completed school building additions and renovations in conjunction with the Ohio School Facilities Commission. This \$20,000,000 building project has been essentially complete with approximately \$850,000 unspent monies that remain. These unspent funds will have to be paid back to the Ohio School Facilities Commission after all the project closeout requirements have been accomplished.

Due to low interest rates in the capital bond market, the School District has refinanced its 1995 School Improvement Bonds totaling \$1,750,000 with School Improvement Refunding Bonds on December 2004. This capital bond refinancing saved the District approximately \$140,000 throughout the terms of these bonds.

**School District's Financial Management**

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

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,992,793	\$74,656	\$3,067,449
<b>Total Assets</b>	<u>2,992,793</u>	<u>74,656</u>	<u>3,067,449</u>
 <b>Net Assets</b>			
Restricted for:			
Capital Projects	1,058,996		1,058,996
Debt Service	138,953		138,953
Other Purposes	202,156		202,156
Unrestricted	<u>1,592,688</u>	<u>74,656</u>	<u>1,667,344</u>
<b>Total Net Assets</b>	<u>\$2,992,793</u>	<u>\$74,656</u>	<u>\$3,067,449</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>						
Instruction						
Regular	\$4,080,735	\$112,255	\$64,217	(\$3,904,263)		(\$3,904,263)
Special	1,058,689		440,731	(617,958)		(617,958)
Vocational Education	196,420	6,128	94,486	(95,806)		(95,806)
Other	712	23		(689)		(689)
<b>Support Services</b>						
Pupil	239,944		7,324	(232,620)		(232,620)
Instructional Staff	283,624		17,120	(266,504)		(266,504)
Board of Education	26,880	850		(26,030)		(26,030)
Administration	600,433		2,500	(597,933)		(597,933)
Fiscal	173,411	1,409	6,300	(165,702)		(165,702)
Operation and Maintenance of Plant	598,775		10,210	(588,565)		(588,565)
Pupil Transportation	237,128		7,502	(229,626)		(229,626)
Central	1,718	55		(1,663)		(1,663)
Operation of Non-Instructional Services	476	15		(461)		(461)
Extracurricular Activities	574,203	394,132	6,926	(173,145)		(173,145)
Capital Outlay						
Architecture and Engineering	10,027	317		(9,710)		(9,710)
Acquisition and Construction			4,138	4,138		4,138
Building Improvement	39,113			(39,113)		(39,113)
Debt Service						
Payment to Refunded Bond Escrow Agent	1,749,999			(1,749,999)		(1,749,999)
Repayment of Principal	160,000		35,582	(124,418)		(124,418)
Interest	211,963			(211,963)		(211,963)
<b>Total Governmental Activities</b>	<b>10,244,250</b>	<b>515,184</b>	<b>697,036</b>	<b>(9,032,030)</b>		<b>(9,032,030)</b>
<b>Business-Type Activities:</b>						
Adult Education	949	929			(20)	(20)
Food Services	249,286	220,165	41,582		12,461	12,461
<b>Total Business-Type Activities</b>	<b>250,235</b>	<b>221,094</b>	<b>41,582</b>		<b>12,441</b>	<b>12,441</b>
<b>Totals</b>	<b>\$10,494,485</b>	<b>\$736,278</b>	<b>\$738,618</b>	<b>(9,032,030)</b>	<b>12,441</b>	<b>(9,019,589)</b>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				1,773,964		1,773,964
Debt Service				299,380		299,380
Permanent Improvement				83,935		83,935
Classroom Facilities & Maintenance				34,684		34,684
Payments in Lieu of Taxes				25,645		25,645
Grants and Entitlements not Restricted to Specific Programs				5,423,087		5,423,087
Gain on Sale of Capital Asset				3,500		3,500
Proceeds from sale of Refunding Bonds				1,749,999		1,749,999
Interest				65,308	1,406	66,714
Miscellaneous				62,901		62,901
<b>Total General Receipts</b>				<b>9,522,403</b>	<b>1,406</b>	<b>9,523,809</b>
Change in Net Assets				490,373	13,847	504,220
Net Assets Beginning of Year				2,502,420	60,809	2,563,229
Net Assets End of Year				<b>\$2,992,793</b>	<b>\$74,656</b>	<b>\$3,067,449</b>

See accompanying notes to the financial statements.



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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,572,933	\$855,645	\$138,953	\$405,507	\$2,973,038
Restricted Assets:					
Equity in Pooled Cash & Cash Equivalents	<u>19,755</u>				<u>19,755</u>
Total Assets	<u><u>1,592,688</u></u>	<u><u>855,645</u></u>	<u><u>138,953</u></u>	<u><u>405,507</u></u>	<u><u>2,992,793</u></u>
<b>Fund Balances</b>					
Reserved for Encumbrances	50,716			126,858	177,574
Reserved for Budget Stabilization	19,755				19,755
Designated for Budget Stabilization	90,006				90,006
Unreserved:					
Undesignated, Reported in:					
General Fund	1,432,211				1,432,211
Special Revenue Funds				145,479	145,479
Debt Service Funds			138,953		138,953
Capital Projects Funds		<u>855,645</u>		<u>133,170</u>	<u>988,815</u>
Total Fund Balances	<u><u>\$1,592,688</u></u>	<u><u>\$855,645</u></u>	<u><u>\$138,953</u></u>	<u><u>\$405,507</u></u>	<u><u>\$2,992,793</u></u>

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Fund</b>	<b>OSFC Building Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts</b>					
Taxes	\$1,773,964		\$299,380	\$118,619	\$2,191,963
Payments in Lieu of Taxes	25,645				25,645
Intergovernmental	5,817,598		36,209	294,899	6,148,706
Interest	46,787	15,751	2,770		65,308
Tuition and Fees	135,272				135,272
Extracurricular Activities	113,968			257,147	371,115
Miscellaneous	11,781			9,813	21,594
<b>Total Receipts</b>	<b>7,925,015</b>	<b>15,751</b>	<b>338,359</b>	<b>680,478</b>	<b>8,959,603</b>
<b>Disbursements</b>					
Current:					
Instruction					
Regular	3,997,868			82,867	4,080,735
Special	864,473			194,216	1,058,689
Vocational Education	193,720			2,700	196,420
Other	713				713
Support Services					
Pupil	231,523			8,421	239,944
Instructional Staff	266,504			17,120	283,624
Board of Education	26,880				26,880
Administration	595,433			5,000	600,433
Fiscal	164,241		6,557	2,612	173,410
Operation and Maintenance of Plant	590,164			8,611	598,775
Pupil Transportation	237,128				237,128
Central	1,718				1,718
Operation of Non-Instructional Services	476				476
Extracurricular Activities	331,319			242,884	574,203
Capital Outlay					
Architecture and Engineering	10,027				10,027
Building Improvement				39,113	39,113
Debt Service					
Repayment of Principal			160,000		160,000
Interest			211,963		211,963
<b>Total Disbursements</b>	<b>7,512,187</b>	<b>15,751</b>	<b>378,520</b>	<b>603,544</b>	<b>8,494,251</b>
Excess of Receipts Over (Under) Disbursements	412,828	15,751	(40,161)	76,934	465,352
<b>Other Financing Sources (Uses)</b>					
Proceeds of Sale of Refunding Bonds			1,749,999		1,749,999
Payment to Refunded Bond Escrow Agent			(1,749,999)		(1,749,999)
Proceeds from Sale of Capital Assets	3,500				3,500
Other Financing Sources	21,521				21,521
Advances-In	3,100			18,300	21,400
Advances-Out	(18,300)			(3,100)	(21,400)
<b>Total Other Financing Sources (Uses)</b>	<b>9,821</b>	<b>15,751</b>	<b>(40,161)</b>	<b>92,134</b>	<b>490,373</b>
<b>Net Change in Fund Balances</b>	<b>422,649</b>	<b>15,751</b>	<b>(40,161)</b>	<b>92,134</b>	<b>490,373</b>
Fund Balances Beginning	1,170,039	839,894	179,114	313,373	2,502,420
Fund Balances End of Year	<u>\$1,592,688</u>	<u>\$855,645</u>	<u>\$138,953</u>	<u>\$405,507</u>	<u>\$2,992,793</u>
Encumbrances	<u>\$50,716</u>			<u>\$126,858</u>	<u>\$177,574</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$1,790,000	\$1,780,000	\$1,773,964	(\$6,036)
Payments in Lieu of Taxes	35,000	35,000	25,645	(9,355)
Intergovernmental	5,150,000	5,770,000	5,817,598	47,598
Interest	40,000	40,000	46,787	6,787
Tuition and Fees	80,200	120,200	135,272	15,072
Extracurricular Activities	125,000	125,000	113,968	(11,032)
Miscellaneous	20,000	17,000	11,781	(5,219)
<b>Total Receipts</b>	<u>7,240,200</u>	<u>7,887,200</u>	<u>7,925,015</u>	<u>37,815</u>
<b>Disbursements</b>				
Current:				
Instruction				
Regular	4,058,600	4,078,883	4,040,071	38,812
Special	818,050	863,420	864,473	(1,053)
Vocational Education	197,950	199,807	194,181	5,626
Other	7,000	7,000	712	6,288
Support Services				
Pupil	248,300	248,823	232,201	16,622
Instructional Staff	304,650	308,028	267,812	40,216
Board of Education	32,000	32,185	26,880	5,305
Administration	609,600	609,825	596,121	13,704
Fiscal	172,000	172,000	164,633	7,367
Operation and Maintenance of Plant	592,600	593,730	590,544	3,186
Pupil Transportation	164,700	217,000	240,839	(23,839)
Central	2,900	2,900	1,718	1,182
Operation of Non-Instructional Services	1,000	1,000	476	524
Extracurricular Activities	227,400	370,837	332,215	38,622
Capital Outlay				
Architecture and Engineering	6,000	6,000	10,027	(4,027)
<b>Total Disbursements</b>	<u>7,442,750</u>	<u>7,711,438</u>	<u>7,562,903</u>	<u>148,535</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>(202,550)</u>	<u>175,762</u>	<u>362,112</u>	<u>186,350</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets			3,500	3,500
Other Financing Sources			21,521	21,521
Advances-In			3,100	3,100
Advances-Out			(18,300)	(18,300)
<b>Total Other Financing Sources (Uses)</b>			<u>9,821</u>	<u>9,821</u>
<b>Net Change in Fund Balance</b>	<u>(202,550)</u>	<u>175,762</u>	<u>371,933</u>	<u>196,171</u>
Fund Balance - Beginning of Year	1,140,152	1,140,152	1,140,152	
Prior Year Encumbrances Appropriated	29,887	29,887	29,887	
<b>Fund Balance - End of Year</b>	<u>\$967,489</u>	<u>\$1,345,801</u>	<u>\$1,541,972</u>	<u>\$196,171</u>

See accompanying notes to the financial statements.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	<u>Business - Type Activity</u>
	<u>Enterprise Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$74,656
Total Assets	<u>74,656</u>
<b>Net Assets</b>	
Unrestricted	74,656
Total Net Assets	<u>\$74,656</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business-Type Activity</b>
	<b>Enterprise Funds</b>
<b>Operating Receipts</b>	
Tuition	\$929
Food Services	220,165
	221,094
<b>Operating Disbursements</b>	
Salaries	105,755
Fringe Benefits	15,999
Purchased Services	8,153
Materials and Supplies	120,328
	250,235
Total Operating Expenses	250,235
Operating Loss	(29,141)
<b>Non-Operating Receipts</b>	
Interest	1,406
Federal and State Subsidies	41,582
	42,988
Total Non-Operating Receipts	42,988
Change in Net Assets	13,847
Net Assets Beginning of Year	60,809
Net Assets End of Year	\$74,656

*See accompanying notes to the financial statements.*

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<u>Agency</u>
<b>Assets</b>	
Equity Pooled in Cash and Cash Equivalents	<u>\$22,510</u>
<b>Net Assets</b>	
Held in Trust for Students	<u>\$22,510</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2004**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,502,420	\$60,809	\$2,563,229
Investments			
<b>Total Assets</b>	<u>2,502,420</u>	<u>60,809</u>	<u>2,563,229</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	959,558		959,558
Debt Service	179,115		179,115
Other Purposes	193,708		193,708
Unrestricted	<u>1,170,039</u>	<u>60,809</u>	<u>1,230,848</u>
<b>Total Net Assets</b>	<u>\$2,502,420</u>	<u>\$60,809</u>	<u>\$2,563,229</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>						
Instruction						
Regular	\$4,042,828	\$87,675	\$122,667	(\$3,832,486)		(\$3,832,486)
Special	933,231		347,616	(585,615)		(585,615)
Vocational Education	162,744	5,074	119,994	(37,676)		(37,676)
Other	6,905	219		(6,686)		(6,686)
Support Services						
Pupil	241,390			(241,390)		(241,390)
Instructional Staff	486,457		23,651	(462,806)		(462,806)
Board of Education	29,011	922		(28,089)		(28,089)
Administration	585,268			(585,268)		(585,268)
Fiscal	195,275	5,906	1,339	(188,030)		(188,030)
Operation and Maintenance of Plant	757,712		9,868	(747,844)		(747,844)
Pupil Transportation	168,012	5,337		(162,675)		(162,675)
Central	2,526	80		(2,446)		(2,446)
Operation of Non-Instructional Services	286	9		(277)		(277)
Extracurricular Activities	576,426	413,556		(162,870)		(162,870)
Capital Outlay						
Architecture and Engineering	1,738	55		(1,683)		(1,683)
Acquisition and Construction	5,619		3,519	(2,100)		(2,100)
Building Improvement	4,416			(4,416)		(4,416)
Debt Service						
Repayment of Principal	150,000		35,711	(114,289)		(114,289)
Interest	236,215			(236,215)		(236,215)
<b>Total Governmental Activities</b>	<b>8,586,059</b>	<b>518,833</b>	<b>664,365</b>	<b>(7,402,861)</b>		<b>(7,402,861)</b>
<b>Business-Type Activities:</b>						
Uniform School Supply	28,735	31,471			2,736	2,736
Adult Education	36	672			636	636
Food Services	239,169	222,052	37,500		20,383	20,383
<b>Total Business-Type Activities</b>	<b>267,940</b>	<b>254,195</b>	<b>37,500</b>		<b>23,755</b>	<b>23,755</b>
<b>Totals</b>	<b>\$8,853,999</b>	<b>\$773,028</b>	<b>\$701,865</b>	<b>(7,402,861)</b>	<b>23,755</b>	<b>(7,379,106)</b>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				1,659,906		1,659,906
Debt Service				300,080		300,080
Permanent Improvement				82,980		82,980
Classroom Facilities & Maintenance				34,290		34,290
Payments in Lieu of Taxes				33,005		33,005
Grants and Entitlements not Restricted to Specific Programs				4,754,706		4,754,706
Proceeds from Sale of Capital Assets				8,305		8,305
Interest				39,460	528	39,988
Miscellaneous				39,997	64	40,061
<b>Total General Receipts</b>				<b>6,952,729</b>	<b>592</b>	<b>6,953,321</b>
<b>Advances</b>				<b>3,000</b>	<b>(3,000)</b>	
<b>Total General Receipts and Transfers</b>				<b>6,955,729</b>	<b>(2,408)</b>	<b>6,953,321</b>
<b>Change in Net Assets</b>				<b>(447,132)</b>	<b>21,347</b>	<b>(425,785)</b>
<b>Net Assets Beginning of Year (See Note 4)</b>				<b>2,949,552</b>	<b>39,462</b>	<b>2,989,014</b>
<b>Net Assets End of Year</b>				<b>\$2,502,420</b>	<b>\$60,809</b>	<b>\$2,563,229</b>

See accompanying notes to the financial statements.



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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,103,941	\$839,894	\$492,487	\$2,436,322
Restricted Assets:				
Equity in Pooled Cash & Cash Equivalents	66,098			66,098
Total Assets	<u>1,170,039</u>	<u>839,894</u>	<u>492,487</u>	<u>2,502,420</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	29,887		21,824	51,711
Reserved for Budget Stabilization	19,755			19,755
Reserved for Bus Purchase	46,343			46,343
Designated for Budget Stabilization	90,006			90,006
Unreserved:				
Undesignated, Reported in:				
General Fund	984,048			984,048
Special Revenue Funds			171,884	171,884
Debt Service Funds			179,115	179,115
Capital Projects Funds		839,894	119,664	959,558
Total Fund Balances	<u>\$1,170,039</u>	<u>\$839,894</u>	<u>\$492,487</u>	<u>\$2,502,420</u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Taxes	\$1,659,906		\$417,350	\$2,077,256
Payments in Lieu of Taxes	33,005			33,005
Intergovernmental	5,096,263		337,409	5,433,672
Interest	31,447	8,013		39,460
Tuition and Fees	107,906			107,906
Extracurricular Activities	119,637		276,689	396,326
Miscellaneous	33,954		6,043	39,997
<b>Total Receipts</b>	<u>7,082,118</u>	<u>8,013</u>	<u>1,037,491</u>	<u>8,127,622</u>
<b>Disbursements</b>				
Current:				
Instruction				
Regular	3,897,780		145,048	4,042,828
Special	791,624		141,607	933,231
Vocational Education	159,744		3,000	162,744
Other	6,905			6,905
Support Services				
Pupil	235,229		6,161	241,390
Instructional Staff	460,217		26,240	486,457
Board of Education	29,011			29,011
Administration	585,268			585,268
Fiscal	185,982		9,293	195,275
Operation and Maintenance of Plant	598,121		159,591	757,712
Pupil Transportation	168,012			168,012
Central	2,526			2,526
Operation of Non-Instructional Services	286			286
Extracurricular Activities	341,387		235,039	576,426
Capital Outlay				
Architecture and Engineering	1,738			1,738
Acquisition and Construction		5,619		5,619
Building Improvement			4,416	4,416
Debt Service				
Repayment of Principal			150,000	150,000
Interest			236,215	236,215
<b>Total Disbursements</b>	<u>7,463,830</u>	<u>5,619</u>	<u>1,116,610</u>	<u>8,586,059</u>
Excess of Receipts Over (Under) Disbursements	<u>(381,712)</u>	<u>2,394</u>	<u>(79,119)</u>	<u>(458,437)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	8,305			8,305
Advances-In	8,000		3,100	11,100
Advances-Out	(5,100)		(3,000)	(8,100)
<b>Total Other Financing Sources (Uses)</b>	<u>11,205</u>		<u>100</u>	<u>11,305</u>
Net Change in Fund Balances	(370,507)	2,394	(79,019)	(447,132)
Fund Balances Beginning (See Note 4)	<u>1,540,546</u>	<u>837,500</u>	<u>571,506</u>	<u>2,949,552</u>
Fund Balances End of Year	<u>\$1,170,039</u>	<u>\$839,894</u>	<u>\$492,487</u>	<u>\$2,502,420</u>
Encumbrances	<u>\$29,887</u>	<u>\$0</u>	<u>\$21,824</u>	<u>\$51,711</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$1,750,000	\$1,790,000	\$1,659,906	(\$130,094)
Payments in Lieu of Taxes	25,000	25,000	33,005	8,005
Intergovernmental	4,801,000	5,112,000	5,096,263	(15,737)
Interest	80,000	40,000	31,447	(8,553)
Tuition and Fees	51,000	96,000	107,906	11,906
Extracurricular Activities	237,000	250,000	119,637	(130,363)
Miscellaneous	75,000	30,000	33,954	3,954
<b>Total Receipts</b>	<u>7,019,000</u>	<u>7,343,000</u>	<u>7,082,118</u>	<u>(260,882)</u>
<b>Disbursements</b>				
Current:				
Instruction				
Regular	3,910,300	3,958,300	3,912,563	45,737
Special	814,600	819,600	791,994	27,606
Vocational Education	189,900	186,900	161,601	25,299
Other	4,000	8,000	6,905	1,095
Support Services				
Pupil	270,100	268,100	235,752	32,348
Instructional Staff	535,100	535,100	463,595	71,505
Board of Education	32,800	32,800	29,196	3,604
Administration	617,300	617,300	585,493	31,807
Fiscal	199,300	196,700	185,982	10,718
Operation and Maintenance of Plant	663,300	663,300	604,251	59,049
Pupil Transportation	165,300	180,300	168,012	12,288
Central	2,800	2,800	2,526	274
Operation of Non-Instructional Services	1,600	1,600	286	1,314
Extracurricular Activities	212,200	357,200	343,824	13,376
Capital Outlay				
Architecture and Engineering	6,000	6,000	1,738	4,262
Acquisition and Construction	100,000	29,600		29,600
<b>Total Disbursements</b>	<u>7,724,600</u>	<u>7,863,600</u>	<u>7,493,718</u>	<u>369,882</u>
Excess of Receipts Over (Under) Disbursements	<u>(705,600)</u>	<u>(520,600)</u>	<u>(411,600)</u>	<u>109,000</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets			8,305	8,305
Advances-In			8,000	8,000
Advances-Out			(5,100)	(5,100)
<b>Total Other Financing Sources (Uses)</b>			<u>11,205</u>	<u>11,205</u>
Net Change in Fund Balance	(705,600)	(520,600)	(400,395)	120,205
Fund Balances - Beginning of Year (See Note 4)	1,457,551	1,457,551	1,457,551	
Prior Year Encumbrances Appropriated	82,996	82,996	82,996	
<b>Fund Balance - End of Year</b>	<u><u>\$834,947</u></u>	<u><u>\$1,019,947</u></u>	<u><u>\$1,140,152</u></u>	<u><u>\$120,205</u></u>

See accompanying notes to the financial statements.

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2004

	<u>Business - Type Activity</u>
	<u>Enterprise Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$60,809</u>
Total Assets	<u><u>60,809</u></u>
<b>Net Assets</b>	
Unrestricted	<u>60,809</u>
Total Net Assets	<u><u>\$60,809</u></u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Business-Type Activity</b>
	<b>Enterprise Funds</b>
<b>Operating Receipts</b>	
Tuition	\$672
Food Services	222,052
Classroom Materials and Fees	31,471
	254,195
<b>Operating Disbursements</b>	
Salaries	105,267
Fringe Benefits	15,532
Purchased Services	2,777
Materials and Supplies	144,364
	267,940
Total Operating Receipts	254,195
Total Operating Expenses	267,940
Operating Loss	(13,745)
<b>Non-Operating Receipts</b>	
Interest	528
Miscellaneous	64
Federal and State Subsidies	37,500
	38,092
Total Non-Operating Receipts	38,092
Net Income Before Transfers	24,347
Advances Out	(3,000)
Change in Net Assets	21,347
Net Assets Beginning of Year (See Note 4)	39,462
Net Assets End of Year	\$60,809

*See accompanying notes to the financial statements.*

ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<u>Agency</u>
<b>Assets</b>	
Equity Pooled in Cash and Cash Equivalents	<u>\$24,890</u>
<b>Net Assets</b>	
Held in Trust for Students	<u>\$24,890</u>

*See accompanying notes to the financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

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

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

The School District is located in Mercer and Darke Counties. The School District is the 453<sup>rd</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-eight classified employees, seventy-three certified teaching personnel, and seven administrative employees who provide services to one thousand one hundred sixty-eight students and other community members. The School District currently operates two instructional buildings.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. 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 accounting basis. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

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

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

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

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

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

The funds of the financial reporting entity are described below:

**3. Governmental Funds/Governmental Activities**

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds – fiscal year 2005: General, OSFC Building, and Debt Service for fiscal year 2005 and fiscal year 2004: General and OSFC Building.

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

**OSFC Building Fund** - This fund accounts for the specific receipts to be used for the new school building project.

**Debt Service Fund** - This fund accounts for the specific receipts to be used to pay the districts debt.

**4. Proprietary Fund/Business-Type Activities**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's proprietary funds account for the uniform school supplies, adult education and lunch room activities.

Enterprise funds are used to account for business-like activities provided by the School District. The intent of the School District is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**5. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds include various student managed activities and employee paid portion of insurance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

**C. Budgetary Process**

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

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

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

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**2. Estimated Resources**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

**3. Appropriations**

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

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

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary 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."

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

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.

During fiscal years 2005 and 2004, the School District invested in nonnegotiable certificate of deposits and repurchase agreements, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited during fiscal year 2005 and 2004 were \$66,714 and \$39,989 respectively.

**E. Restricted Assets**

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

Restricted assets in the General Fund include unexpended revenues for bus purchase and budget stabilization.

**F. Capital Assets**

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

**G. Accumulated Leave**

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

**H. Long-Term Debt**

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

**I. Intergovernmental Receipts**

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

**J. Inventory and Prepaid Items**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

**K. Interfund Receivables/Payables**

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 operating transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements. At June 30, 2005, the General Fund had unpaid interfund cash advances, in the amount of \$18,300 for short-term loans made to the Student Intervention Grant, Vocational Agriculture Fifth Quarter Grant, Migrant Program, Title I, Title II-A, Technology Grant Funds. These are expected to be repaid within one year. At June 30, 2004, the General Fund had unpaid interfund cash advances, in the amount of \$3,100 for short-term loans made to the Band and Vocational Agriculture Fifth Quarter Grant Funds and were repaid within the subsequent fiscal year.

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

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

**M. Equity Classifications**

**1. Government-Wide Statements**

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

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

Net assets restricted for other purposes include resources restricted for public school support programs, athletic programs, classroom facilities and maintenance tax levy, and federal and state grants restricted to cash disbursement for specified purposes. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2005 and June 30, 2004, the following represents the amount restricted by enabling legislation: bond retirement levy - \$299,380 and \$300,080, permanent improvement levy – \$83,935 and \$82,980, and classroom facilities and maintenance levy - \$34,684 and \$34,290; respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, and bus purchase subsidy. The designation for budget stabilization represents revenues set aside that exceeds statutorily required amounts.

**N. Receipts and Disbursements**

**1. Program Receipts**

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

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

**2. Operating Receipts and Disbursements**

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

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal years 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure". GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

**4. BASIS OF ACCOUNTING**

The School District previously reported under generally accepted accounting principles. Effective July 1, 2003, the School District is reporting under the method described in Note 2. Fiscal year 2004 beginning balances were restated on the basis of accounting in Note 2. All revenue and expense adjustments due to the change from accrual basis of accounting, in addition to the reclassification of the Unclaimed Monies Fund were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**4. BASIS OF ACCOUNTING (Continued)**

	<b>Governmental Funds</b>			
	<b>General</b>	<b>OSFC Building Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	GAAP Basis, 6/30/03	\$ 611,176	\$837,500	\$516,258
GASB No. 34, Change in Fund Structure-				
Unclaimed Monies Fund	5,784	0	0	5,784
Deduct Revenue Accruals	(1,870,199)	(0)	(472,348)	(2,342,547)
Add Expense Accruals	2,793,785	0	527,596	3,321,381
Cash Basis, 6/30/03	<u>\$1,540,546</u>	<u>\$837,500</u>	<u>\$571,506</u>	<u>\$2,949,552</u>

	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
	<b>Enterprise</b>	<b>Trust &amp; Agency</b>
	GAAP Basis, 6/30/03	\$238,591
GASB No. 34, Change in Fund Structure – Unclaimed Monies Fund	(0)	(5,784)
Deduct Revenue Accruals	(13,588)	(0)
Add Expense Accruals	50,773	21,799
Deduct Fixed Assets	(236,314)	(0)
Cash Basis, 6/30/03	<u>\$ 39,462</u>	<u>\$21,799</u>

**5. COMPLIANCE**

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

Ohio Rev. Code Section 135.18 and 135.181(L) state that the Treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. Also, upon request of a treasurer no more than four times per year, a public depository is required to report the amount of public monies deposited by the treasurer and secured and the total value based on the valuations described above, of the pool of securities pledged to secure public monies held by the depository, including those deposited by the treasurer.

The amount of collateral pledged by the bank to cover the deposits were not adequate to cover the amount held as deposits in the last 6 months of fiscal year 2005 - with the percentage of uninsured / uncollateralized deposits ranging between 1 to 21 percent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**5. COMPLIANCE (Continued)**

Ohio Rev. Code Section 135.14(E) allows the treasurer to enter into a written repurchase agreement with any eligible institution, or any eligible dealer under the terms of which agreement the treasurer or governing board purchases, and such institution or dealer agrees unconditionally to repurchase any of the securities listed in divisions (B) (1) to (5). The market value of securities subject to an overnight written repurchase agreement must exceed the principal value of the overnight repurchase agreement by at least two per cent.

The market value of the government securities invested in did not exceed the principal value of the written repurchase agreement by at least 2 percent for the following periods tested: 09/30/04, 01/31/05, 02/28/05, and 06/30/05. Market values of the government securities ranged between 68% to 93%.

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

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

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

As of both June 30, 2005 and 2004, the District had \$640 undeposited cash on hand included in cash and cash equivalents.

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

As of June 30, 2005, the carrying amount of the District's deposits was \$1,022,379 and the bank balance was \$1,046,000. Of this bank balance, \$146,000 was covered by federal depository insurance and \$694,593 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name and \$205,407 was uninsured.

As of June 30, 2004, the carrying amount of the District's deposits was \$1,027,111 and the bank balance was \$1,066,404. Of the bank balance, \$166,404 was covered by federal depository insurance and \$900,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

**B. Investments**

Investments are reported at cost. For both fiscal years, the School District's only investment included repurchase agreements. As of June 30, 2005, the investment amount was \$2,066,940; at June 30, 2004 the investment amount was \$1,560,368. For 2005 and 2004, investments are included in cash and cash equivalents.

**C. Interest Rate Risk**

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

**D. Credit Risk**

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

The securities underlying the investment in repurchase agreements are federal agency securities from Federal Home Loan Bank, Federal Home Lone Mortgage Corporation, Federal Farm Credit Bank and Federal National Mortgage Corporation with a Moody credit rating of Aaa and are held by the investment's counterparty, not in the name of the School District. As of June 30, 2005, the underlying investment's market value did not adequately cover the cost of the investment in repurchase agreement. The underlying agency securities value was \$1,876,622.

**E. Concentration of Credit Risk**

The School District policy places no limit on the amount the district may invest in any one issuer. It is required that the School District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. One hundred percent of the District's investments are in repurchase agreements. These investments are available to the District as needed.

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**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First half distributions are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes received in calendar year 2005 represent the collection of calendar year 2004 taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes received in calendar year 2005 were levied after April 1, 2004 on the assessed value listed as of the prior January 1, the lien date. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in Calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2005 taxes were collected are:

	<b>2004 Second-Half Collections</b>		<b>2005 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$64,714,680	86%	\$67,912,580	86%
Public Utility	2,551,790	3	2,641,360	3
Tangible Personal Property	7,690,660	11	8,374,180	11
Total Assessed Value	<u>\$74,957,130</u>	<u>100%</u>	<u>\$78,928,120</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$29.71		\$39.83	

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**8. PAYMENT IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal years 2005 and 2004 amounted to \$25,645 and \$33,005; respectively.

**9. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During both fiscal years 2005 and 2004, the School District contracted for the following insurance coverage.

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

Buildings and Contents - replacement cost	\$ 35,590,000
Automobile Liability	1,000,000
Underinsured Motorists	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Umbrella Liability	5,000,000
Legal Liability	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. RISK MANAGEMENT**

**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.

**10. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement and disability benefits based on eligible service credit to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combine Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT  
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**10. DEFINED BENEFIT PENSION PLANS**

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$515,060, \$512,095, and \$485,587, respectively; 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP made by the School District for the fiscal years ended June 30, 2005 and 2004 were \$3,766 and \$106, respectively. Contributions for the CDP and CP made by plan members were \$3,718 and \$8,213 for 2005 and 2004, respectively.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is proved by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on the SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$91,810, \$78,864, and \$70,883, respectively; 81 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. During fiscal years 2005 and 2004, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

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**11. POST EMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or Combined Plan and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District the amount to fund health care benefits equaled \$39,620 and \$39,392 for fiscal years 2005 and 2004, respectively.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the fund was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and there were 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium.

At June 30, 2005, the employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$43,159 for the fiscal year 2005 and \$59,602 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 58,123 participants eligible to receive health care benefits.

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**12. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

<b>General Long Term Obligations</b>	<b>Interest Rates</b>	<b>Balance at 06/30/03</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 06/30/04</b>
<b>2000 School Improvement</b>					
Serial and Term Bonds	4.4 - 5.75%	\$2,265,000	\$0	\$ 80,000	\$2,185,000
Capital Appreciation Bonds		40,786	0	0	40,786
Accretion on Capital Appreciation Bonds		101,426	8,259	0	109,685
<b>1995 School Improvement</b>					
Serial and Term Bonds	3.5 - 5.25%	1,975,000	0	70,000	1,905,000
<b>Total</b>		<u>\$4,382,212</u>	<u>\$8,259</u>	<u>\$150,000</u>	<u>\$4,240,471</u>

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

<b>General Long-Term Obligations</b>	<b>Interest Rates</b>	<b>Balance at 6/30/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/05</b>
<b>2004 School Improvement</b>					
Refunding Bonds	2.3 -5.0%	\$ 0	\$1,740,000	\$ 0	\$1,740,000
Capital Appreciation Bonds		0	9,999	0	9,999
Accretion on Capital Appreciation Bonds		0	3,564	0	3,564
<b>2000 School Improvement</b>					
Serial and Term Bonds	4.4 - 5.75%	2,185,000	0	85,000	2,100,000
Capital Appreciation Bonds		40,786	0	0	40,786
Accretion on Capital Appreciation Bonds		109,685	8,736	0	118,421
<b>1995 School Improvement</b>					
Serial and Term Bonds	3.5 - 5.25%	1,905,000	0	1,824,999	80,001
<b>Total</b>		<u>\$4,240,471</u>	<u>\$1,762,299</u>	<u>\$1,909,999</u>	<u>\$4,092,771</u>

**2004 School Improvement Refunding General Obligation Bonds** - On December 1, 2004, the School District issued \$1,749,999 in general obligation refunding bonds with interest rates from 2.3 percent to 5.0 percent, to refund \$1,750,000 of the 1995 School Improvements general obligation bonds. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$1,740,000 and \$9,999, respectively. The net proceeds of 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, \$1,750,000 of the 1995 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds will be removed from the School District's long-term obligations.

The School District lowered its aggregated debt service payments by \$139,750 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$101,868. 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, on December 1 in the years and respective principal amounts as follows:



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

Year	Current Interest Bond Maturity	Principal Amount To be Redeemed
2005	2006	\$ 25,000
2014	2016	135,000
2015	2016	140,000
2017	2019	155,000
2018	2019	160,000

Unless previously redeemed, the remaining principal amount of \$100,000 for the Current Interest Bond maturing in year 2006, \$145,000 for the Current Interest Bond maturing in year 2016 and \$150,000 for the Current Interest Bond maturing in year 2019 shall be paid at stated maturity.

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

The capital appreciation bonds will mature in fiscal year 2014 are not subject to redemption prior to maturity. The maturity amount of the bonds is \$135,000. For fiscal year 2005, \$3,565 was accreted for total bond value of \$13,563.

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

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

Year	Amount
2013	\$115,000
2014	125,000
2015	130,000
2016	140,000
2017	145,000
2018	155,000
2019	165,000
2020	170,000
2021	180,000

Unless previously redeemed, the remaining principal amount of \$190,000 will mature at stated maturity on December 1, 2022.

The term bonds maturing on or after December 1, 2022, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2010, at the redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date as follows:

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

<b>Redemption Dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2012 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$235,000. For fiscal year 2005, \$8,736 was accreted for total bond value of \$159,207.

**1995 School Improvement General Obligation Bonds** - On June 1, 1995, the School District issued \$2,450,000 in voted general obligation bonds for construction and improvement to buildings and structures. The bond issue included serial and term bonds, in the amount of \$870,000 and \$1,580,000, respectively. The bonds are being retired from the Bond Retirement debt service fund.

With the issue of the 2004 Refunding School Improvement bonds, \$1,750,000 of the outstanding 1995 School Improvement bond obligation was repaid. As of June 30, 2005, a balance of \$80,000 remains to be paid December 1, 2005 per the original 1995 bond issue.

The term bonds maturing on December 1, 2014, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

<b>Year</b>	<b>Amount</b>
2008	\$90,000
2009	95,000
2010	105,000
2011	110,000
2012	120,000
2013	125,000

Unless previously redeemed, the remaining principal amount of \$135,000 will mature at stated maturity on December 1, 2014.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

<b>Year</b>	<b>Amount</b>
2015	\$145,000
2016	150,000
2017	160,000
2018	170,000

Unless previously redeemed, the remaining principal amount of \$175,000 will mature at stated maturity on December 1, 2019.

The term bonds maturing on or after December 1, 2006, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2005, at the redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date as follows:

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

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2005 through November 30, 2006	102%
December 1, 2006 through November 30, 2007	101
December 1, 2007 and thereafter	100

The School District's overall debt margin was \$3,158,277 with an unvoted debt margin of \$78,928 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, were as follows:

	<b>2000 General Obligation Bonds</b>		<b>1995 General Obligatio n</b>	<b>2004 General Obligation Bonds</b>		<b>Total Interest/ Accretion</b>	<b>Total</b>
	<b>Serial and Term</b>	<b>Capital Appreciatio n</b>	<b>Bonds</b>	<b>Serial and Term</b>	<b>Capital Appreciation</b>		
	<b>Bonds</b>	<b>Bonds</b>		<b>Bonds</b>	<b>Bonds</b>		
2006	\$ 85,000	\$ 0	\$ 80,001	\$ 25,000	\$ 0	\$ 264,877	\$ 454,878
2007	90,000	0	0	110,000	0	289,779	489,779
2008	95,000	0	0	110,000	0	282,351	487,351
2009	100,000	0	0	110,000	0	274,240	484,240
2010	105,000	0	0	115,000	0	270,467	490,467
2011-2015	350,000	40,786	0	520,000	9,999	1,513,404	2,434,189
2016-2020	735,000	0	0	750,000	0	1,111,293	2,596,293
2021-2022	540,000	0	0	0	0	47,727	587,727
	<u>\$2,100,000</u>	<u>\$ 40,786</u>	<u>\$ 80,001</u>	<u>\$ 1,740,000</u>	<u>\$ 9,999</u>	<u>\$4,054,138</u>	<u>\$8,024,924</u>

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

**13. STATUTORY RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 2005, 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**13. STATUTORY RESERVES (Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2005 and 2004.

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>	<b>Budget Stabilization</b>
Balance at 6/30/2003	\$(332,193)	\$(2,358,269)	\$19,755
Required Set-Aside	158,241	158,241	0
Current Year Offsets	0	(117,269)	0
Qualifying Disbursements	(136,935)	(18,654)	0
Total	<u>\$(310,887)</u>	<u>\$(2,335,951)</u>	<u>\$19,755</u>
Excess Expenditures Available for Carry-over to Subsequent Year	<u>\$(310,887)</u>	<u>\$(2,335,951)</u>	<u>\$19,755</u>

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>	<b>Budget Stabilization</b>
Balance at 6/30/2004	\$(310,887)	\$(2,335,951)	\$19,755
Required Set-Aside	160,756	160,756	0
Current Year Offsets	0	(118,619)	0
Qualifying Disbursements	(106,602)	(35,445)	0
Total	<u>\$(256,733)</u>	<u>\$(2,329,259)</u>	<u>\$19,755</u>
Excess Expenditures Available for Carry-over to Subsequent Year	<u>\$(256,733)</u>	<u>\$(2,329,259)</u>	<u>\$19,755</u>

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

**14. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2005 and 2004, the School District paid \$6,150 and \$6,300, respectively, to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

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

**West Central Regional Professional Development Center** - The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**West Central Ohio Special Education Regional Resource Center** - The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

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

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

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

**15. GROUP PURCHASING POOL**

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

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

**B. Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**16. 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**17. CONTRACTUAL COMMITMENTS**

At June 30, 2005 the District had the following outstanding contractual commitments for the purchase of a school bus:

<u>Contractor/Vendor</u>	<u>Amount</u>	<u>Description</u>
Myers Equipment Corp	\$57,214	2006 Thomas Transit School Bus

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## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type 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, 2005 and 2004, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 26, 2006 wherein we noted that the School District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is required. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated January 26, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2005-001, 2005-002 and 2005-003. In a separate letter to the School District's management dated January 26, 2006, we reported other matters related to noncompliance we deemed immaterial.

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St. Henry Consolidated Local School District  
Mercer County  
Independent Accountants' Report on Compliance and Internal Control  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 26, 2006

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

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**NONCOMPLIANCE CITATION**

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

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

The School District should prepare their financial statements in accordance with GAAP.

**FINDING NUMBER 2005-002**

**NONCOMPLIANCE CITATION**

**Ohio Rev. Code Sections 135.18 and 135.181(L)** state that the Treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. Also, upon request of a treasurer no more than four times per year, a public depository is required to report the amount of public monies deposited by the treasurer and secured and the total value based on the valuations described above, of the pool of securities pledged to secure public monies held by the depository, including those deposited by the treasurer.

The amount of collateral pledged by the bank to cover the deposits were not adequate to cover the amount held as deposits in the last 6 months of fiscal year 2005 - with the percentage of uninsured / uncollateralized ranging between 1 to 21 percent. The Treasurer also did not maintain quarterly pledged collateral statements from the bank.

Pledged collateral statements should be obtained at least quarterly from the various financial institutions with which the School District deposits funds. The pledged collateral statements should be examined by the Treasurer to ensure that adequate collateral coverage is being provided for the School District's deposits and that the securities pledged are eligible

**FINDING NUMBER 2005-003**

**Ohio Rev. Code Section 135.14(E)** allows the treasurer to enter into a written repurchase agreement with any eligible institution, or any eligible dealer under the terms of which agreement the treasurer or governing board purchases, and such institution or dealer agrees unconditionally to repurchase any of the securities listed in divisions (B)(1) to (5). The market value of securities subject to an overnight written repurchase agreement must exceed the principal value of the overnight repurchase agreement by at least two per cent. A written repurchase agreement shall not exceed thirty days and the market value of securities subject to a written repurchase agreement must exceed the principal value of the written repurchase agreement by at least two per cent and be marked to market daily. All securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

The market value of the government securities invested in did not exceed the principal value of the written repurchase agreement by at least two percent for the following periods tested: 09/30/04, 01/31/05, 02/28/05, and 06/30/05. Market values of the government securities ranged between 93% to 68%.

The Treasurer should obtain from the bank a report of each individual government security invested as repurchase agreements which identifies the CUSIP number, description of the security, value, and credit rating. The Treasurer should review these listings to determine that securities are eligible and meet the 102% statutory coverage.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	ORC Sec. 135.14 (E) & 135.14 ( C) & OAG Opinion 99-026 – Inadequate market value for securities of repurchase agreements	No	Ohio Rev. Code Section 135.14(E) is not corrected and is repeated as part of finding 2005-003; while ORC Section 135.14 (C) and OAG Opinion 99-026 is corrected.
2003-002	17 C.F.R. Sec. 240.15c2-12 and Continuing Disclosure Certificate for the 2000 Classroom Facilities Bond	Yes	





**Auditor of State  
Betty Montgomery**

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**ST. HENRY CONSOLIDATED LOCAL SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2006**