



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Patrick Henry Local School District
Henry County
6900 State Route 18
Hamler, Ohio 43524-9781

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Patrick Henry Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Patrick Henry Local School District, Henry County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 19, 2001

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**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,949,137	\$281,347	\$238,338
Cash and Cash Equivalents:			
With Fiscal Agents		187	
Receivables:			
Taxes	2,279,837		145,703
Accounts	272	561	
Intergovernmental		20,890	
Accrued Interest	7,052		
Interfund Receivable	55,000		
Income Tax	494,001		
Materials and Supplies Inventory			
Prepaid Items	17,476		
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	23,745		
Fixed Assets (Net of accumulated depreciation where applicable)			
Other Debits:			
Amounts provided from General Government Resources			
Total Assets and Other Debits	<u>\$4,826,520</u>	<u>\$302,985</u>	<u>\$384,041</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$116,289	\$21,178	\$1,807
Accrued Wages and Benefits	832,105	237	
Compensated Absences Payable	71,027		
Interfund Payable		10,000	
Intergovernmental Payable	98,266	1,303	
Deferred Revenue	2,077,185	20,890	131,068
Due to Students			
Energy Conservation Loan Payable			
Total Liabilities	<u>3,194,872</u>	<u>53,608</u>	<u>132,875</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	97,085	48,597	10,443
Reserved for Prepaid Items	17,476		
Reserved for Advances	55,000		
Reserved for Contributions			
Reserved for Property Taxes	202,652		14,635
Reserved for Budget Stabilization	23,745		
Unreserved, Undesignated	1,235,690	200,780	226,088
Total Fund Equity and Other Credits	<u>1,631,648</u>	<u>249,377</u>	<u>251,166</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,826,520</u>	<u>\$302,985</u>	<u>\$384,041</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>			
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
\$21,423	\$51,374			\$2,541,619
				187
				2,425,540
7,469				833
				28,359
				7,052
				55,000
14,736				494,001
				14,736
				17,476
				23,745
46,965		\$8,687,390		8,734,355
			\$1,101,368	1,101,368
\$90,593	\$51,374	\$8,687,390	\$1,101,368	\$15,444,271
\$469				\$139,743
29,786				862,128
18,465			\$717,548	807,040
45,000				55,000
13,994			55,820	169,383
7,822				2,236,965
	\$31,360			31,360
			328,000	328,000
115,536	31,360		1,101,368	4,629,619
		\$8,687,390		8,687,390
(24,943)				(24,943)
				156,125
				17,476
				55,000
	7,014			7,014
				217,287
				23,745
	13,000			1,675,558
(24,943)	20,014	8,687,390		10,814,652
\$90,593	\$51,374	\$8,687,390	\$1,101,368	\$15,444,271

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$3,919,178	\$323,981
Interest	157,828	
Tuition and Fees	5,406	4,820
Rent	120	
Extracurricular Activities		178,236
Gifts and Donations		
Income Tax	1,531,431	
Property and Other Local Taxes	1,911,589	
Miscellaneous	2,493	36,287
	7,528,045	543,324
Expenditures:		
Instruction:		
Regular	4,433,278	71,138
Special	50,500	111,725
Vocational	255,620	22,354
Adult/Continuing		10,376
Other	115,312	4,216
Support services:		
Pupils	240,952	20,338
Instructional Staff	301,738	40,885
Board of Education	14,431	
Administration	729,222	51,594
Fiscal	254,738	684
Business	75,453	
Operation and Maintenance of Plant	659,050	
Pupil Transportation	434,485	117
Central	138,448	12,598
Non-Instructional Services		1,782
Extracurricular activities	182,693	160,591
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
	7,885,920	508,398
Excess of Revenues Over (Under) Expenditures	(357,875)	34,926
Other Financing Sources and Uses		
Operating Transfers In		
Other Financing Sources	60,120	59,503
Operating Transfers Out	(62,673)	
Other Financing Uses	(208)	(33,000)
	(2,761)	26,503
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(360,636)	61,429
Fund Balance at Beginning of Year	1,992,284	187,948
Fund Balance at End of Year	\$1,631,648	\$249,377

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
	\$70,751	\$463	\$4,313,910
			158,291
			10,226
			120
			178,236
		10,000	10,000
	138,826		1,531,431
			2,050,415
			38,780
	<u>209,577</u>	<u>10,463</u>	<u>8,291,409</u>
	35,307		4,539,723
			162,225
			277,974
			10,376
			119,528
			261,290
	395		343,018
			14,431
			780,816
	364		255,786
			75,453
	142,534		801,584
			434,602
			151,046
			1,782
		165	343,449
\$46,000			46,000
16,673			16,673
<u>62,673</u>	<u>178,600</u>	<u>165</u>	<u>8,635,756</u>
<u>(62,673)</u>	<u>30,977</u>	<u>10,298</u>	<u>(344,347)</u>
62,673			62,673
			119,623
			(62,673)
			(33,208)
<u>62,673</u>			<u>86,415</u>
	30,977	10,298	(257,932)
	220,189	2,702	2,403,123
	<u>\$251,166</u>	<u>\$13,000</u>	<u>\$2,145,191</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	<u>General</u>		Variance: Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$3,725,362	\$3,921,345	\$195,983
Interest	150,000	157,095	7,095
Tuition and Fees	6,230	5,406	(824)
Rent		120	120
Extracurricular Activities			
Gifts and Donations			
Income Tax	1,500,000	1,516,404	16,404
Property and Other Local Taxes	1,856,271	1,917,519	61,248
Miscellaneous	3,000	3,454	454
Total Revenues	<u>7,240,863</u>	<u>7,521,343</u>	<u>280,480</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,707,260	4,369,520	(662,260)
Special	49,226	49,563	(337)
Vocational	250,259	252,398	(2,139)
Adult/Continuing			
Other	475,238	115,832	359,406
Support services:			
Pupils	277,423	241,237	36,186
Instructional Staff	338,580	314,289	24,291
Board of Education	19,237	15,065	4,172
Administration	1,488,498	708,393	780,105
Fiscal	276,071	265,603	10,468
Business	77,872	77,273	599
Operation and Maintenance of Plant	852,248	694,623	157,625
Pupil Transportation	492,097	456,072	36,025
Central	183,396	147,864	35,532
Non-Instructional Services			
Extracurricular activities	168,780	182,262	(13,482)
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>8,656,185</u>	<u>7,889,994</u>	<u>766,191</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,415,322)</u>	<u>(368,651)</u>	<u>1,046,671</u>
Other Financing Sources and Uses			
Operating Transfers In		3,550	3,550
Refund of Prior Year Expenditures	15,500	41,206	25,706
Advances In		34,650	34,650
Other Financing Sources			
Operating Transfers Out	(125,000)	(62,673)	62,327
Advances Out	(150,000)	(55,000)	95,000
Other Financing Uses	(100,000)	(1,808)	98,192
Total Other Financing Sources (Uses)	<u>(359,500)</u>	<u>(40,075)</u>	<u>319,425</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,774,822)</u>	<u>(408,726)</u>	<u>1,366,096</u>
Fund Balances at Beginning of Year	1,979,640	1,979,640	
Prior Year Encumbrances Appropriated	190,425	190,425	
Fund Balance at End of Year	<u><u>\$395,243</u></u>	<u><u>\$1,761,339</u></u>	<u><u>\$1,366,096</u></u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$268,756	\$248,981	(\$19,775)			
4,000	4,820	820			
240,954	252,675	11,721			
22,350	36,087	13,737			
<u>536,060</u>	<u>542,563</u>	<u>6,503</u>			
128,324	86,310	42,014			
166,446	132,103	34,343			
28,341	28,909	(568)			
622	10,376	(10,376)			
	4,216	(3,594)			
22,586	20,338	2,248			
66,979	43,023	23,956			
87,039	64,938	22,101			
977	683	294			
167	117	50			
12,000	13,568	(1,568)			
4,650	1,582	3,068			
209,648	188,516	21,132			
			\$46,000	\$46,000	
			16,673	16,673	
<u>727,779</u>	<u>594,679</u>	<u>133,100</u>	<u>62,673</u>	<u>62,673</u>	
<u>(191,719)</u>	<u>(52,116)</u>	<u>139,603</u>	<u>(62,673)</u>	<u>(62,673)</u>	
305	31,072	30,767	62,673	62,673	
	10,000	10,000			
38,495	28,431	(10,064)			
(34,650)	(34,650)				
<u>4,150</u>	<u>34,853</u>	<u>30,703</u>	<u>62,673</u>	<u>62,673</u>	
(187,569)	(17,263)	170,306			
198,016	198,016				
31,461	31,461				
<u>\$41,908</u>	<u>\$212,214</u>	<u>\$170,306</u>			

(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$44,275	\$70,751	\$26,476
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Income Tax			
Property and Other Local Taxes	132,180	139,316	7,136
Miscellaneous			
Total Revenues	176,455	210,067	33,612
Expenditures:			
Current:			
Instruction:			
Regular	44,000	35,307	8,693
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils			
Instructional Staff	5,984	395	5,589
Board of Education			
Administration			
Fiscal	5,000	364	4,636
Business			
Operation and Maintenance of Plant	174,289	149,064	25,225
Pupil Transportation			
Central		6,000	(6,000)
Non-Instructional Services			
Extracurricular activities			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	229,273	191,130	38,143
Excess of Revenues Over (Under) Expenditures	(52,818)	18,937	71,755
Other Financing Sources and Uses			
Operating Transfers In			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(52,818)	18,937	71,755
Fund Balances at Beginning of Year	177,863	177,863	
Prior Year Encumbrances Appropriated	29,289	29,289	
Fund Balance at End of Year	\$154,334	\$226,089	\$71,755

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$69	\$463	\$394	\$4,038,393	\$4,241,077	\$202,684
			150,069	157,558	7,489
			10,230	10,226	(4)
				120	120
			240,954	252,675	11,721
	10,000	10,000		10,000	10,000
			1,500,000	1,516,404	16,404
			1,988,451	2,056,835	68,384
			25,350	39,541	14,191
69	10,463	10,394	7,953,447	8,284,436	330,989
			3,879,584	4,491,137	(611,553)
			215,672	181,666	34,006
			278,600	281,307	(2,707)
				10,376	(10,376)
			475,860	120,048	355,812
			300,009	261,575	38,434
			411,543	357,707	53,836
			19,237	15,065	4,172
			1,575,537	773,331	802,206
			282,048	266,650	15,398
			77,872	77,273	599
			1,026,537	843,687	182,850
			492,264	456,189	36,075
			195,396	167,432	27,964
			4,650	1,582	3,068
75	165	(90)	378,503	370,943	7,560
			46,000	46,000	
			16,673	16,673	
75	165	(90)	9,675,985	8,738,641	937,344
(6)	10,298	10,304	(1,722,538)	(454,205)	1,268,333
			62,673	66,223	3,550
			15,805	72,278	56,473
				44,650	44,650
			38,495	28,431	(10,064)
			(125,000)	(62,673)	62,327
			(184,650)	(89,650)	95,000
			(100,000)	(1,808)	98,192
			(292,677)	57,451	350,128
(6)	10,298	10,304	(2,015,215)	(396,754)	1,618,461
2,702	2,702		2,358,221	2,358,221	
			251,175	251,175	
\$2,696	\$13,000	\$10,304	\$594,181	\$2,212,642	\$1,618,461

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$263,084		\$263,084
Tuition	1,930		1,930
Other Revenues	19,715		19,715
Contributions and Donations		\$415	415
	<u>284,729</u>	<u>415</u>	<u>285,144</u>
Operating Expenses			
Salaries	153,374		153,374
Fringe Benefits	69,154		69,154
Purchased Services	6,775		6,775
Cost of Sales	220,923		220,923
Depreciation	1,052		1,052
Other	1,030	400	1,430
	<u>452,308</u>	<u>400</u>	<u>452,708</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(167,579)</u>	<u>15</u>	<u>(167,564)</u>
Non-Operating Revenues and Expenses			
Federal Donated Commodities	30,810		30,810
Interest	49		49
Federal and State Subsidies	64,798		64,798
	<u>95,657</u>		<u>95,657</u>
Total Non-Operating Revenues and Expenses			
Net Income (Loss)	(71,922)	15	(71,907)
Retained Earnings/Fund Balances at Beginning of Year	<u>46,979</u>	<u>6,999</u>	<u>53,978</u>
Retained Earnings/Fund Balances at End of Year	<u>(\$24,943)</u>	<u>\$7,014</u>	<u>(\$17,929)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Combined Statement of Cash Flow
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase/(Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$263,084		\$263,084
Cash Received from Tuition	1,930		1,930
Other Cash Receipts	19,715	\$415	20,130
Cash Payments to Suppliers for Goods and Service	(184,751)		(184,751)
Cash Payments for Contract Services	(6,775)		(6,775)
Cash Payments for Employee Services	(145,680)		(145,680)
Cash Payments for Employee Benefits	(67,005)		(67,005)
Other Cash Payments	(1,030)	(400)	(1,430)
Net Cash Provided (Used) by Operating Activities	<u>(120,512)</u>	<u>15</u>	<u>(120,497)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	65,883		65,883
Advances In	45,000		45,000
Net Cash Provided by Noncapital Financing Activities	<u>110,883</u>		<u>110,883</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	49		49
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(10,367)		(10,367)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,947)	15	(19,932)
Cash and Cash Equivalents at Beginning of Year	41,370	6,999	48,369
Cash and Cash Equivalents at End of Year	<u>\$21,423</u>	<u>\$7,014</u>	<u>\$28,437</u>

(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Combined Statement of Cash Flow
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$167,579)	\$15	(\$167,564)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,052		1,052
Donated Commodities Used During the Year	30,810		30,810
Adjustments to Capital Outlay	5,288		5,288
Decrease in Assets:			
Material and Supplies Inventory	103		103
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	6,196		6,196
Intergovernmental Payable	2,813		2,813
Deferred Revenue	(15)		(15)
Accounts Payable	(14)		(14)
Accrued Wages and Benefits	834		834
	47,067		47,067
Total Adjustments	47,067		47,067
Net Cash Provided (Used) by Operating Activities	(\$120,512)	\$15	(\$120,497)
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:			
Cash and Cash Equivalents - Trust and Agency Funds			\$51,374
Less: Expendable Trust Funds			(13,000)
Less: Agency Funds			(31,360)
Cash and Cash Equivalents - Nonexpendable Trust Funds			\$7,014

The notes to the general-purpose financial statements are an integral part of this statement.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Patrick Henry 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 was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred forty-seven square miles. It is located in Henry, Putnam, and Wood Counties, and includes all of the Village of Hamler, Deshler, Malinta and portions of Marion, Monroe, Richfield, Bartlow, Van Buren, Harrison, and Damascus Townships. The School District is the 459th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 55 classified employees, 81 certified full-time teaching personnel, and 7 administrative employees who provide services to 1,185 students and other community members. The School District currently operates four instructional buildings and one bus garage.

Reporting Entity

The reporting entity is comprised of the primary government component units 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 Patrick Henry Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with six organizations, which are defined as jointly governed organizations, insurance pools, and a related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Edwin Wood Memorial Library. These organizations are presented in Notes 16, 17, and 18 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Patrick Henry Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School Districts accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

Debt Service - Debt service funds are used to account for the accumulation of resources for, and the payment of, general short-term and long-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those, found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. 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, and other governmental units and or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise and nonexpendable trust funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e.,

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

net total assets) is segregated into contributed capital and retained earnings components. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the enterprise and nonexpendable trust funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower, Title VI-B, and Preschool Handicap special revenue funds are pass through grants in which the Northwest Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted and the School District does not maintain separate budgetary records.

1. Tax Budget

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

By no later than January 20, the Board-adopted budget is filed with the Henry 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 revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer.

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

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 saving 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 expenses 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 expenditures 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 year, four supplemental appropriation resolutions were legally enacted.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, 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. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2001, investments were limited to certificates of deposit.

Expect for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at costs.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$157,828, which includes \$39,457 interest earnings assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 are reported as investments.

Cash held for the School District by the Northwest Ohio Educational Service Center is included on the balance sheet as part of "Cash with Fiscal Agent".

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit the periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars except for the cost of books. The School District does not have any infrastructure.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

I. Compensated Absences

Personal and vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absence Payable" in the fund from which the employees who have accumulated unpaid leave is paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are considered not to have used current available resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

K. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Allocation
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Professional Development
Management Information System
ONenet
SchoolNet Professional Development
Textbook Subsidy
Ohio Reads Grant
Summer School Subsidy
Tech Prep
Extended Learning
RPDC/ODE Initiative
Wellness
Safe Schools
Eisenhower
Title VI-B
Title I
Title VI
Drug Free Grant
Preschool Handicap
E-Rate Grant
School to Work
Title VI-

Capital Projects Funds

SchoolNet Plus
Technology Equity
Emergency Building Repair

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Reimbursable Grants

General Fund
Driver Education

Proprietary Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 52 percent of the School District's operating revenue during the 2001 fiscal year.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for budget stabilization.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, prepaid items, advances, contributions, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for contributions signifies the legal restrictions on the use of principal.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

P. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis.

Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

At June 30, 2001, the School Net Training, Ohio Reads Community and Miscellaneous Federal Grants special revenue funds had deficit fund balances of \$768, \$7,526 and \$6,080, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$32,795, as a result of accumulated operating losses from prior years.

As of February 28, 2001 there were ten instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$20 to \$467,018. In addition, the following fund/function/objects had expenditures exceeding appropriations at June 30, 2001:

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
General Fund- Regular Instruction-Employee Retirement	\$915,800	\$981,607	(\$65,807)
General Fund - Regular Instruction-Supplies and Materials	154,356	170,100	(15,744)
General Fund - Regular Instruction - County Board Deduction	0	619,486	(619,486)
General Fund - Special Instruction - Benefits	14,241	14,527	(286)
General Fund-Special Instruction-Equipment	0	1,628	(1,628)
General Fund-Vocational Instruction-Personal Services	172,223	176,631	(4,408)
			(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
(Continued)			
General Fund-Vocational Instruction-Retirement	62,171	63,974	(1,803)
General Fund-Support Services Fiscal-Other Objects	85,046	96,652	(11,606)
General Fund-Support Services Instruction-Personnel Services	131,054	131,940	(886)
General Fund-Transportation and Maintenance-Benefits	20,372	21,021	(649)
General Fund-Operation and Maintenance-Personal Services	249,900	254,796	(4,896)
General Fund-Operation and Maintenance-Other Objects	500	1,000	(500)
General Fund-Pupil Transportation-Purchased Services	10,302	17,152	(6,850)
General Fund-Extracurricular Activities-Sport Supplementals	120,000	134,375	(14,375)
General Fund-Extracurricular Activities-Sports Retirement	19,060	20,302	(1,242)
General Fund-Extracurricular Activities-Co-curricular Supplements	4,000	4,497	(497)
General Fund-Extracurricular Activities-Co-curricular Retirement	640	689	(49)
Food Service Fund- Replacement Equipment	250	819	(569)
			(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
(Continued)			
Public School Support Fund- Support Services Administration-Purchased Services	700	790	(90)
Public School Support Fund- Support Services Administration-Camp Y- Noah Hamler	8,000	10,095	(2,095)
Public School Support Fund- Support Services Administration-Equipment Deshler	200	7,130	(6,930)
Miscellaneous Grants Fund- Regular Instruction-Purchased Services	500	4,500	(4,000)
Miscellaneous Grants Fund- Regular Instruction-Equipment	500	1,873	(1,373)
Student Activity Funds- Academic and Subject Oriented-Supplies Band	1,663	2,733	(1,070)
Student Activity Funds-Sports Oriented-Boys Basketball Supplies	6,000	10,451	(4,451)
Student Activity Funds-Sports Oriented-Girls Basketball Supplies	4,000	4,300	(300)
Student Activity Funds-Sports Oriented-Football Supplies	10,368	10,451	(83)
Student Activity Funds-Sports Oriented-Wrestling Supplies	700	1,135	(435)
			(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
(Continued)			
Student Activity Funds-Sports Oriented-Baseball Supplies	500	1,180	(680)
Student Activity Funds-Sports Oriented-Softball Supplies	0	330	(330)
Student Activity Funds-Sports Oriented-Cheerleading Supplies	2,931	5,130	(2,199)
Student Activity Funds-Sports Oriented-Football Equipment	2,261	8,272	(6,011)
Student Activity Funds-Sports Oriented-Athletic Fees	5,828	10,583	(4,755)
Teachers Development Fund- Adult/Continuing Education- Upgrading	0	10,376	(10,376)
Teachers Development Fund- Other Instruction-LPDC FY99 Purchased Services	0	3,594	(3,594)
EMIS Fund-Support Services Pupils-Salary	10,000	10,702	(702)
Praise Grant Fund-Support Services-Central-Supplies	0	6,000	(6,000)
Tech Equity Fund-Support Services Instructional-Staff Salaries	0	395	(395)
Ohio Reads Fund-Support Services Instruction-Personal Services	0	2,000	(2,000)
Ohio Reads Fund-Support Services Instruction-FY2000 NOCAC Salary	13,685	20,526	(6,841)
			(Continued)

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
(Continued)			
Tech Prep Fund-Vocational Education-Equipment	15,263	20,916	(5,653)
Tech Prep Fund-Support Service Pupil Transportation- Fringe Benefits	22	70	(48)
Extended Learning Grant Fund- Regular Instruction-FY01 Salary	5,900	5,927	(27)
Miscellaneous State Grants Fund-Support Services Central- Equipment	0	1,568	(1,568)
Title I Fund-Special Instruction- FY97 Salary	0	11,109	(11,109)
Title I Fund-Special Instruction- Deshler Salary FY98	0	275	(275)
Title I Fund-Special Instruction- Benefits	5,651	5,770	(119)
Title I Fund-Support Services Pupils-FY2001 Purchased Services	500	(674)	(174)
Title VI Fund-Special Instruction-Supplies	0	23	(23)
Title IV Fund-Regular Instruction-FY01 PH Coordinator Salary	0	600	(600)
Title IV Fund-Regular Instruction-FY01 PH Coordinator Fringe Benefits	0	84	(84)
Drug Free Schools Fund- Support Services Pupils- Purchased Services	3,650	3,809	(159)
			(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
(Continued)			
Drug Free Schools Fund- Support Services Pupils- Supplies	29	202	(173)
Drug Free Schools Fund- Support Services Pupils-FY99 Supplies	234	472	(238)
Drug Free Schools Fund- Support Services Administration-Coordinator Salary	0	500	(500)
Drug Free Schools Fund- Support Services Administration-FY 99 Coordinator Salary	0	600	(600)
Drug Free Schools Fund- Support Services Administration-Benefits	0	154	(154)
Drug Free Schools Fund- Support Services Administration-Fringe Benefits	0	79	(79)
Miscellaneous Federal Grants Fund-Regular Instruction- Personal Services	9,000	10,709	(1,709)
Expendable Trust - Extracurricular Activities- Miscellaneous	0	96	(96)

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) and All Governmental Fund Types

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**Notes to the General-Purpose Financial Statements
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are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis, as opposed to when susceptible to accrual (GAAP basis))
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for the governmental fund types and expendable trust fund and as note disclosures in the proprietary fund types (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, and Preschool Handicap special revenue funds are included as part of the reporting entity when preparing financial statements that conform to GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General	Special Revenue	Capital Projects
Budget Basis	(\$408,726)	(\$17,263)	\$18,937
Adjustments for:			
Revenue Accruals	6,702	761	(490)
Expenditure Accruals	(207,469)	17,150	280
Other Sources and Uses	37,314	(8,350)	
Encumbrances	211,543	69,131	12,250
GAAP Basis	(\$360,636)	\$61,429	\$30,977

5. 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.

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**Notes to the General-Purpose Financial Statements
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(Continued)**

Interim monies are those monies that 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 (FDIC), 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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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);

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 day of purchase unless matched to a specific obligation 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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2001, investments were limited to Certificates of Deposit. All investments of the School District had a maturity of two years or less.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Cash on Hand – At fiscal year end; the School District had \$680 in undeposited cash on hand, which is included on the balance sheet of the School District as part of “equity in pooled cash and cash equivalents”.

At fiscal year end, the School District had \$187 in cash and cash equivalents held by the Northwest Educational Service Center, which is included on the balance sheet as “Cash and Cash Equivalents with Fiscal Agent”. The Northwestern Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.”

Deposits: At fiscal year end, the carrying amount of the School District’s deposits was \$2,564,684 the bank balance was \$2,755,048. Of the bank balance, \$205,964 was covered by federal depository insurance and \$2,549,084 was collateralized by securities held by the financial institutions trust department in the School District’s name.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”. Reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits
GASB Statement 9	\$2,565,551
Investments:	
Cash with Educational Service Center	(187)
Cash on Hand	(680)
GASB Statement 3	\$2,564,684

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. 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 are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent or appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 83 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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**Notes to the General-Purpose Financial Statements
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(Continued)**

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

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

The School District receives property taxes from Henry, Putnam, and Wood Counties. The County Auditor 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, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility property taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$202,652 in the General Fund and \$14,635 in the Capital Projects Fund.

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$76,795,860	82.30%	\$79,640,980	83.54%
Public Utility	9,592,860	10.28%	9,082,570	9.53%
Tangible Personal Property	6,920,686	7.42%	6,610,220	6.93%
Total Assessed Value	<u>\$93,309,406</u>	<u>100.00%</u>	<u>\$95,333,770</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.75		\$34.75	

7. INCOME TAX

The School District levies a voted tax of one and three-fourths percent for general operations on the income of residents and of estates. The one-percent tax was effective January 1, 1989, and is for a continuing period. The three-fourths percent tax was effective January 1, 1998 and expires December 31, 2002. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amount for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property and income taxes, accounts (student fees, billings for user charged services, and rent), intergovernmental grants, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

9. FIXED ASSETS

A summary of changes in the Enterprise Fund fixed assets is as follows:

	<u>Enterprise</u>
Furniture and Equipment	\$179,037
Less: Accumulated Depreciation	<u>(132,072)</u>
Net Fixed Assets	<u><u>\$46,965</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$934,822	\$67,647		\$1,002,469
Buildings and Improvements	4,061,075	31,326		4,092,401
Furniture and Equipment	1,974,096	129,119	\$79,932	2,023,283
Vehicles	766,764	115,581	56,270	826,075
Text and Library Books	<u>743,162</u>			<u>743,162</u>
Totals	<u><u>\$8,479,919</u></u>	<u><u>\$343,673</u></u>	<u><u>\$136,202</u></u>	<u><u>\$8,687,390</u></u>

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts: theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Indiana Insurance, Ohio Farmers Insurance and Nationwide Insurance for the following insurance coverage's.

Building and Contents - replacement cost (\$ 1,000 deductible)	\$19,984,437
Inland Marine Coverage (\$250 deductible)	183,158
Employee Dishonesty Bond - blanket (no deductible)	10,000
Vehicle Liability (combined single limit)	1,000,000
Medical Payments per Person	5,000
Uninsured/Underinsured Motorists	500,000
General Liability:	
Per occurrence	2,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three Years, and there has been no significant reduction in insurance coverages from last year.

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including health, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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(Continued)**

year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$355,929, \$197,782, and \$190,087, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$59,949, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent 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, 2001, 2000, and 1999, were \$45,451, \$49,281, and \$63,664, respectively; 59 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$18,635, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT 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 classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$168,598.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$106,052 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred ten days for classified and certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 46 days for classified employees and for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for certified employees. Also, classified employees receive payment for accrued, but unused personal leave to a maximum of 10 days.

B. Other Employee Benefits

The School District provides life, health, and dental insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 06/30/00	Additions	Reductions	Principal Outstanding 06/30/01
Energy Conservation Loan	\$374,000		\$46,000	\$328,000
Intergovernmental Payable	35,086	\$20,734		55,820
Compensated Absences	662,396	55,152		717,548
Total Long-Term Obligations	<u>\$1,071,482</u>	<u>\$75,886</u>	<u>\$46,000</u>	<u>\$1,101,368</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Intergovernmental Payables are the retirement for each employee and will be paid from the fund from which the employees' salaries are paid.

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For the Fiscal Year Ended June 30, 2001
(Continued)**

On March 4, 1997, Patrick Henry Local School District issued \$500,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372.

The notes were issued for a ten fiscal year period with final maturity during fiscal year 2007. The debt will be retired from savings, which are anticipated from the energy conservation improvements.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001 are as follows.

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$48,000	\$14,440	\$62,440
2003	52,000	12,065	64,065
2004	54,000	9,548	63,548
2005	56,000	6,935	62,935
2006	58,000	4,227	62,227
2007	60,000	1,426	61,426
Total	<u>\$328,000</u>	<u>\$48,641</u>	<u>\$376,641</u>

The School District's voted legal debt margin was \$8,580,039 with an unvoted debt margin of \$95,334 at June 30, 2001.

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Patrick Henry Local School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$242,877	\$39,922	\$1,930	\$284,729
Operating Expenses less Depreciation	397,938	51,006	2,312	451,256
Depreciation Expense	1,052			1,052
Operating Loss	(156,113)	(11,084)	(382)	(167,579)
Donated Commodities	30,810			30,810
Grants	64,798			64,798
Interest	49			49
Net Income (Loss)	(60,456)	(11,083)	(383)	(71,922)
Net Working Capital	(79,760)	7,295	557	(71,908)
Total Assets	82,626	7,410	557	90,593
Total Liabilities	115,421	115		115,536
Total Equity	(32,795)	7,295	557	(24,943)

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(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. 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 Northern Buckeye Education Council governs NWOCA and its participating members. In fiscal year 2001, Patrick Henry Local School District contributed \$69,472 to NWOCA. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$3,000. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Center is a distinct political subdivision of the State of Ohio, which provides vocational education for students. The Center is operated under the Direction of a Board consisting of two representatives from the Fulton County Educational Service Center, one representative from the Defiance, Henry, and Williams Counties' Educational Service Centers, and one representative from the participating school districts. The Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Four County Career Center, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

17. INSURANCE POOLS

A. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (the Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The NBEC and its participating members govern the Program. In fiscal year 2001, Patrick Henry Local School District contributed \$906,517, which represents 5% of total contributions. Financial information can be obtained from Northern Buckeye Education Council. Cindy Siler, who serves as Treasurer at 22-900 State Route 34, Archbold, Ohio 43502.

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the Northern Buckeye Education Council and the participating members of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participating members pay an enrollment fee, \$844 in fiscal year 2001, to the Plan to cover the costs of administering the program.

18. RELATED ORGANIZATION

Edwin Wood Memorial Library - The Edwin Wood Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Patrick Henry Local School District Board of Education.

The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Edwin Wood Memorial Library, Rhonda Hogrefe, Clerk/Treasurer, at 208 North East Street, Deshler, Ohio 43516.

19. 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, 2001.

B. Litigation

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

20. SET ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	(\$69,357)		\$109,960
Current Year Set Aside Requirement	178,897	\$178,897	
Current Year Offset		(139,316)	
Legislative Reduction			(86,215)
Qualifying Expenditures	<u>(272,550)</u>	<u>(39,581)</u>	
Amount Carried Forward to Fiscal Year 2002	<u>(\$163,010)</u>		<u>\$23,745</u>
Set Aside Reserve Balance June 30, 2001			<u>\$23,745</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$23,745.

21. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of December 19, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

22. TRANSFERS

Transfers for the fiscal year ended June 30, 2001 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$62,673
Debt Service Fund	<u>\$62,673</u>	
Total Transfers	<u><u>\$62,673</u></u>	<u><u>\$62,673</u></u>

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Patrick Henry Local School District
Henry County
6900 State Route 18
Hamler, Ohio 43524-9781

To the Board of Education:

We have audited the financial statements of the Patrick Henry Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 19, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of finding as item 2001-10135-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2001.

Patrick Henry Local School District
Henry County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 19, 2001

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

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

FINDING NUMBER 2001-10135-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

As of February 28, 2001 there were ten instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$20 to \$467,018. In addition, the following fund/function/objects had expenditures exceeding appropriations at June 30, 2001:

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
General Fund- Regular Instruction-Employee Retirement	\$915,800	\$981,607	(\$65,807)
General Fund - Regular Instruction-Supplies and Materials	154,356	170,100	(15,744)
General Fund - Regular Instruction - County Board Deduction	0	619,486	(619,486)
General Fund - Special Instruction - Benefits	14,241	14,527	(286)
General Fund-Special Instruction-Equipment	0	1,628	(1,628)
General Fund-Vocational Instruction-Personal Services	172,223	176,631	(4,408)
General Fund-Vocational Instruction-Retirement	62,171	63,974	(1,803)
General Fund-Support Services Fiscal-Other Objects	85,046	96,652	(11,606)
General Fund-Support Services Instruction-Personnel Services	131,054	131,940	(886)
General Fund-Transportation and Maintenance-Benefits	20,372	21,021	(649)

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
General Fund-Operation and Maintenance-Personal Services	249,900	254,796	(4,896)
General Fund-Operation and Maintenance-Other Objects	500	1,000	(500)
General Fund-Pupil Transportation-Purchased Services	10,302	17,152	(6,850)
General Fund-Extracurricular Activities-Sport Supplementals	120,000	134,375	(14,375)
General Fund-Extracurricular Activities-Sports Retirement	19,060	20,302	(1,242)
General Fund-Extracurricular Activities-Co-curricular Supplementals	4,000	4,497	(497)
General Fund-Extracurricular Activities-Co-curricular Retirement	640	689	(49)
Food Service Fund-Replacement Equipment	250	819	(569)
Public School Support Fund-Support Services Administration-Purchased Services	700	790	(90)
Public School Support Fund-Support Services Administration-Camp Y-Noah Hamler	8,000	10,095	(2,095)
Public School Support Fund-Support Services Administration-Equipment Deshler	200	7,130	(6,930)
Miscellaneous Grants Fund-Regular Instruction-Purchased Services	500	4,500	(4,000)
Miscellaneous Grants Fund-Regular Instruction-Equipment	500	1,873	(1,373)
Student Activity Funds-Academic and Subject Oriented-Supplies Band	1,663	2,733	(1,070)

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
Student Activity Funds-Sports Oriented-Boys Basketball Supplies	6,000	10,451	(4,451)
Student Activity Funds-Sports Oriented-Girls Basketball Supplies	4,000	4,300	(300)
Student Activity Funds-Sports Oriented-Football Supplies	10,368	10,451	(83)
Student Activity Funds-Sports Oriented-Wrestling Supplies	700	1,135	(435)
Student Activity Funds-Sports Oriented-Baseball Supplies	500	1,180	(680)
Student Activity Funds-Sports Oriented-Softball Supplies	0	330	(330)
Student Activity Funds-Sports Oriented-Cheerleading Supplies	2,931	5,130	(2,199)
Student Activity Funds-Sports Oriented-Football Equipment	2,261	8,272	(6,011)
Student Activity Funds-Sports Oriented-Athletic Fees	5,828	10,583	(4,755)
Teachers Development Fund-Adult/Continuing Education-Upgrading	0	10,376	(10,376)
Teachers Development Fund-Other Instruction-LPDC FY99 Purchased Services	0	3,594	(3,594)
EMIS Fund-Support Services Pupils-Salary	10,000	10,702	(702)
Praise Grant Fund-Support Services-Central-Supplies	0	6,000	(6,000)
Tech Equity Fund-Support Services Instructional-Staff Salaries	0	395	(395)
Ohio Reads Fund-Support Services Instructional-Personal Services	0	2,000	(2,000)

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
Ohio Reads Fund-Support Services Instruction-FY2000 NOCAC Salary	13,685	20,526	(6,841)
Tech Prep Fund-Vocational Education-Equipment	15,263	20,916	(5,653)
Tech Prep Fund-Support Service Pupil Transportation-Fringe Benefits	22	70	(48)
Extended Learning Grant Fund-Regular Instruction-FY01 Salary	5,900	5,927	(27)
Miscellaneous State Grants Fund-Support Services Central-Equipment	0	1,568	(1,568)
Title I Fund-Special Instruction-FY97 Salary	0	11,109	(11,109)
Title I Fund-Special Instruction-Deshler Salary FY98	0	275	(275)
Title I Fund-Special Instruction-Benefits	5,651	5,770	(119)
Title I Fund-Support Services Pupils-FY2001 Purchased Services	500	(674)	(174)
Title VI Fund-Special Instruction-Supplies	0	23	(23)
Title IV Fund-Regular Instruction-FY01 PH Coordinator Salary	0	600	(600)
Title IV Fund-Regular Instruction-FY01 PH Coordinator Fringe Benefits	0	84	(84)
Drug Free Schools Fund-Support Services Pupils-Purchased Services	3,650	3,809	(159)
Drug Free Schools Fund-Support Services Pupils-Supplies	29	202	(173)
Drug Free Schools Fund-Support Services Pupils-FY99 Supplies	234	472	(238)

Fund/Function/Object	Amount Appropriated	Total Expenditures and Encumbrances	Excess of Expenditures and Encumbrances Over Appropriations
Drug Free Schools Fund-Support Services Administration-Coordinator Salary	0	500	(500)
Drug Free Schools Fund-Support Services Administration-FY 99 Coordinator Salary	0	600	(600)
Drug Free Schools Fund-Support Services Administration-Benefits	0	154	(154)
Drug Free Schools Fund-Support Services Administration-Fringe Benefits	0	79	(79)
Miscellaneous Federal Grants Fund-Regular Instruction-Personal Services	9,000	10,709	(1,709)
Expendable Trust - Extracurricular Activities-Miscellaneous	0	96	(96)

The Treasurer should not issue purchase orders for expenditures that would exceed appropriations. The Treasurer should inform the Board of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Board should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10135-001	ORC § 5705.10 negative cash balances	Yes	
2000-10135-002	ORC § 5705.41(B) expenditures exceeded appropriations	No	Not corrected. Reissued as finding number 2001-10135-001.
2000-10135-003	ORC § 5705.41(D) certification of funds	Yes	



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PATRICK HENRY LOCAL SCHOOL DISTRICT

HENRY 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
JANUARY 10, 2002**