

Patrick Henry Local School District

Henry County

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



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Dave Yost • Auditor of State

Board of Education
Patrick Henry Local School District
6-900 State Route 18
Hamler, Ohio 43524

We have reviewed the *Independent Auditor's Report* of the Patrick Henry Local School District, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Patrick Henry Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 31, 2011

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Patrick Henry Local School District
Henry County, Ohio

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Independent Auditor's Report

Members of the Board of Education
Patrick Henry Local School District
6-900 State Route 18
Hamler, Ohio 43524

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Patrick Henry Local School District, Henry County, (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

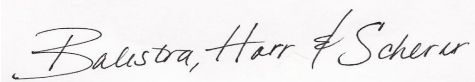
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the General 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 February 18, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board of Education
Patrick Henry Local School District
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.
February 18, 2011

**Patrick Henry Local School District
Henry County**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010
Unaudited**

The discussion and analysis of the financial performance of Patrick Henry Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

In total, net assets decreased \$322,702.

General revenues accounted for \$9,778,357, or 81 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$2,346,965 or 19 percent of total revenues of \$12,125,322.

The District's major funds include the General Fund. The General Fund had \$9,527,807 in revenues and other financing sources and \$10,356,646 in expenditures and other financing uses. The General Fund's balance decreased \$828,839 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund is the only major fund.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2010.

Table 1 Net Assets Governmental Activities		
	2010	2009 Restated
<u>Assets:</u>		
Current and Other Assets	\$8,106,001	\$8,313,892
Capital Assets, Net	15,203,853	15,467,310
Total Assets	23,309,854	23,781,202
<u>Liabilities:</u>		
Current and Other Liabilities	5,690,754	5,597,197
Long-Term Liabilities	6,333,430	6,575,633
Total Liabilities	12,024,184	12,172,830
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	9,782,655	9,756,936
Restricted	1,322,127	802,112
Unrestricted	180,888	1,049,324
Total	\$11,285,670	\$11,608,372

The decrease in current assets and the decrease to long-term liabilities were due to the payment of long-term liabilities.

Table 2 shows the highlights of the District's revenues and expenses.

Table 2 Change in Net Assets Governmental Activities		
	2010	2009
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$944,748	\$898,443
Operating Grants, Contributions and Interest	1,402,217	1,124,419
Total Program Revenues	2,346,965	2,022,862
General Revenues:		
Property Taxes	2,637,445	2,945,012
Income Taxes	1,672,779	1,794,533
Grants and Entitlements	5,297,389	5,111,824
Gifts and Donations	500	
Investment Earnings	10,262	29,793
Miscellaneous	151,767	121,568
Proceeds from Sale of Capital Assets	8,215	16,520
Total General Revenues	9,778,357	10,019,250
Total Revenues	12,125,322	12,042,112

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

<u>Expenses:</u>		
Instruction	6,827,751	6,572,987
Support Services:		
Pupils	518,235	465,050
Instructional Staff	666,067	543,105
Board of Education	31,837	34,383
Administration	1,034,322	1,036,310
Fiscal	366,339	346,512
Business	136,377	123,949
Operation and Maintenance of Plant	901,783	980,920
Pupil Transportation	554,345	542,568
Central	239,252	228,418
Non-Instructional	467,342	457,249
Extracurricular Activities	465,916	486,907
Capital Outlay	41,969	276,295
Interest and Fiscal Charges	196,481	180,449
Total Expenses	<u>12,448,016</u>	<u>12,275,102</u>
Increase/(Decrease) in Net Assets	<u>(\$322,694)</u>	<u>(\$232,990)</u>

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Instruction	\$6,827,751	\$5,497,803	\$6,572,987	\$5,303,642
Support Services:				
Pupils	518,235	513,235	465,050	460,050
Instructional Staff	666,067	665,133	543,105	515,924
Board of Education	31,837	31,837	34,383	34,383
Administration	1,034,322	966,717	1,036,310	971,940
Fiscal	366,339	366,339	346,512	346,512
Business	136,377	136,377	123,949	123,949
Operation and Maintenance of Plant	901,783	588,400	980,920	978,279
Pupil Transportation	554,345	550,756	542,568	536,005
Central	239,252	230,107	228,418	216,418
Non-Instructional	467,342	(7,994)	457,249	(19,745)
Extracurricular Activities	465,916	323,891	486,907	328,139
Capital Outlay	41,969	41,969	276,295	276,295
Interest and Fiscal Charges	196,481	196,481	180,449	180,449
Total Expenses	<u>\$12,448,016</u>	<u>\$10,101,051</u>	<u>\$12,275,102</u>	<u>\$10,252,240</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 81 percent. The remaining 19 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues and other sources of \$12,027,184 and expenditures and other uses of \$12,495,803. The net negative change of \$468,619 in fund balance for the year indicates that the District had some difficulty in meeting current costs with current revenues.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2010, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$10,688,858 while actual expenditures were \$10,426,826. The \$262,572 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$15,203,853 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the Note 8 to the basic financial statements.

Debt

At June 30, 2010, the District had \$4,464,381 in school improvement general obligation bonds for construction and building improvements. The bonds were issued in the amount of \$5,101,000 for a twenty-eight year period, with final maturity on December 1, 2030. The bonds are being retired through the Bond Retirement Debt Service Fund. The District also has \$634,667 owed on a \$589,334 energy conservation note that will mature on December 1, 2021 and General Obligation notes outstanding of \$217,000, which matures during fiscal year 2016.

The District also had \$85,439 outstanding associated with capital leases

At June 30, 2010, the District's overall legal debt margin was \$5,298,193, with an un-voted debt margin of \$108,473.

For further information regarding the District's debt, see Note 13.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

Current Issues

The District is a consolidation of the small rural villages of Deshler, Hamler and Malinta in Northwest Ohio. The population of each is as follows: Deshler (1831), Hamler (650), and Malinta (285). Between them, they have a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 46.7 percent of District revenue sources are from local funds, 47.2 percent is from state funds, and the remaining 6.1 percent is from federal funds. The total expenditure per pupil was calculated at \$9,503.15.

In May 1997, the District passed a five-year income tax levy and reduced the renewable millage from 7 mills to 2.45 mills. The District renewed the five-year income tax as a continuing levy in 2007. The District passed an additional three-year 5.9 mill operating levy at the November 2004 election, and then renewed it as a continuing levy in 2007. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, the reduction of personal property for business inventory, as well as declining student enrollment.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Thomas Taylor, Treasurer, Patrick Henry Local School District, 6900 State Route 18, Hamler, Ohio 43524.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Net Assets
June 30, 2010**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,318,898
Materials and Supplies Inventory		6,601
Accrued Interest Receivable		844
Accounts Receivable		396
Intergovernmental Receivable		194,364
Taxes Receivable		4,831,440
Income Taxes Receivable		672,876
Unamortized Financing Costs		80,582
Capital Assets:		
Non-Depreciable Capital Assets		592,870
Depreciable Capital Assets, net		14,610,983
Total Assets		<u>23,309,854</u>
LIABILITIES:		
Accounts Payable		2,389
Accrued Wages and Benefits		1,036,863
Intergovernmental Payable		205,283
Accrued Interest Payable		17,339
Matured Compensated Absences Payable		43,090
Deferred Revenue		4,385,790
Long-Term Liabilities:		
Due Within One Year		231,772
Due in More Than One Year		6,101,658
Total Liabilities		<u>12,024,184</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		9,782,655
Restricted for Debt Service		254,044
Restricted for Capital Outlay		179,511
Restricted for Other Purposes		864,827
Restricted for Set Asides		23,745
Unrestricted		180,888
Total Net Assets	\$	<u>11,285,670</u>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2010**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 4,989,226	\$ 478,586	\$ 89,354	(4,421,286)
Special	1,386,507		757,371	(629,136)
Vocational	68,322		4,637	(63,685)
Student Intervention Services	771			(771)
Other	382,925			(382,925)
Support Services:				
Pupils	518,235		5,000	(513,235)
Instructional Staff	666,067		934	(665,133)
Board of Education	31,837			(31,837)
Administration	1,034,322	67,605		(966,717)
Fiscal	366,339			(366,339)
Business	136,377			(136,377)
Operation and Maintenance of Plant	901,783		313,383	(588,400)
Pupil Transportation	554,345		3,589	(550,756)
Central	239,252		9,145	(230,107)
Operation of Non-Instructional Services	467,342	256,532	218,804	7,994
Extracurricular Activities	465,916	142,025		(323,891)
Capital Outlay	41,969			(41,969)
Debt Service:				
Interest and Fiscal Charges	196,481			(196,481)
Totals	\$ 12,448,016	\$ 944,748	\$ 1,402,217	(10,101,051)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,111,215
Property Taxes, Levied for Capital Outlay				141,800
Property Taxes, Levied for Debt Service				344,023
Property Taxes, Levied for Other				40,407
Income Taxes				1,672,779
Grants and Entitlements not Restricted to Specific Programs				5,297,389
Gifts and Donations not Restricted to Specific Programs				500
Investment Earnings				10,262
Miscellaneous				151,767
Proceeds from Sale of Capital Assets				8,215
Total General Revenues				9,778,357
Change in Net Assets				(322,694)
Net Assets Beginning of Year (As restated per note 22)				11,608,364
Net Assets End of Year				\$ 11,285,670

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,128,277	\$ 1,166,876	\$ 2,295,153
Materials and Supplies Inventory	-	6,601	6,601
Accrued Interest Receivable	844	-	844
Accounts Receivable	-	396	396
Intergovernmental Receivable	-	194,364	194,364
Taxes Receivable	4,320,953	510,487	4,831,440
Income Taxes Receivable	672,876	-	672,876
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	23,745	-	23,745
Total Assets	\$ 6,146,695	\$ 1,878,724	\$ 8,025,419
Liabilities			
Current Liabilities:			
Accounts Payable	\$ -	\$ 2,389	\$ 2,389
Accrued Wages and Benefits	977,213	59,650	1,036,863
Intergovernmental Payable	188,785	16,498	205,283
Matured Compensated Absences Payable	43,090	-	43,090
Deferred Revenue	4,156,767	607,254	4,764,021
	5,365,855	685,791	6,051,646
Fund Balances			
Reserved:			
Reserved for Encumbrances	323,511	122,995	446,506
Reserved for Property Taxes	281,533	60,983	342,516
Reserved for Budget Stabilization	23,745	-	23,745
Unreserved, Undesignated, Reported in:			
General Fund	152,051	-	152,051
Special Revenue Funds	-	622,695	622,695
Debt Service Funds	-	272,726	272,726
Capital Projects Funds	-	113,534	113,534
Total Fund Balances	780,840	1,192,933	1,973,773
Total Liabilities and Fund Balances	\$ 6,146,695	\$ 1,878,724	\$ 8,025,419

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2010**

Total Governmental Fund Balances	\$	1,973,773
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		15,203,853
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		378,231
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(17,339)	
General Obligation Bonds Payable	(4,736,250)	
Unamortized Financing Cost	80,582	
Notes Payable	(761,001)	
Capital Leases Payable	(85,439)	
Compensated Absences Payable	(750,740)	
	(6,270,187)	
Net Assets of Governmental Activities	\$	11,285,670

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010**

	General Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property and Other Local Taxes	\$ 2,097,435	\$ 523,353	\$ 2,620,788
Income Tax	1,676,584	-	1,676,584
Intergovernmental	5,256,952	1,286,104	6,543,056
Interest	9,504	758	10,262
Tuition and Fees	478,586	-	478,586
Extracurricular Activities	-	209,630	209,630
Gifts and Donations	-	500	500
Customer Sales and Services	-	256,532	256,532
Miscellaneous	531	151,236	151,767
Total Revenues	9,519,592	2,428,113	11,947,705
EXPENDITURES:			
Current:			
Instruction:			
Regular	4,749,452	42,225	4,791,677
Special	765,033	606,311	1,371,344
Vocational	66,946	-	66,946
Student Intervention Services	771	-	771
Other	377,128	5,797	382,925
Support Services:			
Pupils	505,337	5,951	511,288
Instructional Staff	648,037	1,448	649,485
Board of Education	31,837	-	31,837
Administration	920,453	99,189	1,019,642
Fiscal	365,085	-	365,085
Business	135,686	-	135,686
Operation and Maintenance of Plant	665,707	306,378	972,085
Pupil Transportation	517,980	-	517,980
Central	163,506	75,143	238,649
Operation of Non-Instructional Services	2,016	455,422	457,438
Extracurricular Activities	245,235	207,190	452,425
Capital Outlay	43,356	-	43,356
Debt Service:			
Principal	81,817	210,333	292,150
Interest	-	166,134	166,134
Total Expenditures	10,285,382	2,181,521	12,466,903
Excess of Revenues Over (Under) Expenditures	(765,790)	246,592	(519,198)
OTHER FINANCING SOURCES AND USES:			
Transfers In	-	71,264	71,264
Proceeds from Sale of Capital Assets	8,215	-	8,215
Transfers Out	(71,264)	-	(71,264)
Other Financing Source	-	42,356	42,356
Total Other Financing Sources and Uses	(63,049)	113,620	8,215
Net Change in Fund Balances	(828,839)	360,212	(510,983)
Fund Balance (Deficit) at Beginning of Year	1,609,679	832,721	2,442,392
Fund Balance (Deficit) at End of Year	\$ 780,840	\$ 1,192,933	\$ 1,931,409

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ (510,983)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	238,344	
Depreciation	<u>(501,801)</u>	
		(263,457)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	156,550	
Income Taxes	(3,805)	
Delinquent Property Taxes	<u>16,657</u>	
		169,402

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 292,150

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Interest and Fiscal Charges	(30,347)	
Compensated Absences Payable	<u>(21,823)</u>	
		<u>(52,170)</u>

Change in Net Assets of Governmental Activities \$ (365,058)

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,535,852	\$ 2,535,852	\$ 2,272,429	\$ (263,423)
Income Tax	1,819,714	1,819,714	1,701,516	(118,198)
Intergovernmental	5,457,777	5,457,777	5,256,952	(200,825)
Interest	26,268	26,268	11,184	(15,084)
Tuition and Fees	386,084	386,084	478,940	92,856
Rent	994	994		(994)
Miscellaneous	2,553	2,553	(4,795)	(7,348)
Total Revenues	<u>10,229,242</u>	<u>10,229,242</u>	<u>9,716,226</u>	<u>(513,016)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,682,371	4,790,437	4,618,882	171,555
Special	841,430	818,816	763,558	55,258
Vocational	52,007	52,007	66,958	(14,951)
Student Intervention Services			771	(771)
Other	437,535	421,482	377,128	44,354
Support Services:				
Pupils	439,920	481,477	489,977	(8,500)
Instructional Staff	554,242	589,260	662,052	(72,792)
Board of Education	54,639	50,554	32,759	17,795
Administration	975,024	985,224	921,726	63,498
Fiscal	334,771	358,712	367,381	(8,669)
Business	124,851	124,851	130,342	(5,491)
Operation and Maintenance of Plant	1,150,923	830,548	774,298	56,250
Pupil Transportation	1,084,103	675,533	660,976	14,557
Central	184,548	144,548	166,529	(21,981)
Operation of Non-Instructional Services	-	-	2,016	(2,016)
Extracurricular Activities	213,715	213,715	243,296	(29,581)
Capital Outlay	517,475	60,430	76,373	(15,943)
Total Expenditures	<u>11,647,554</u>	<u>10,597,594</u>	<u>10,355,022</u>	<u>242,572</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,418,312)</u>	<u>(368,352)</u>	<u>(638,796)</u>	<u>(270,444)</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	-	-	5,326	5,326
Proceeds from Sale of Capital Assets	-	-	8,215	8,215
Transfers Out	(62,228)	(71,264)	(71,264)	-
Advances Out	(60,352)	(20,000)	-	20,000
Total Other Financing Sources and Uses	<u>(122,580)</u>	<u>(91,264)</u>	<u>(57,723)</u>	<u>33,541</u>
Net Change in Fund Balances	(1,540,892)	(459,616)	(696,519)	(236,903)
Fund Balance (Deficit) at Beginning of Year	876,693	876,693	876,693	-
Prior Year Encumbrances Appropriated	648,358	648,358	648,358	-
Fund Balance (Deficit) at End of Year	<u>\$ (15,841)</u>	<u>\$ 1,065,435</u>	<u>\$ 828,532</u>	<u>\$ (236,903)</u>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>10,213</u>	\$ <u>42,015</u>
Total Assets	<u>10,213</u>	<u>42,015</u>
Liabilities		
Current Liabilities:		
Undistributed Monies	<u>-</u>	<u>42,015</u>
Total Liabilities	<u>-</u>	<u>42,015</u>
Net Assets		
Held in Trust for Scholarships	<u>10,213</u>	<u>-</u>
Total Net Assets	<u>\$ <u>10,213</u></u>	<u>\$ <u>-</u></u>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 3,884
Interest	<u>24</u>
Total Additions	<u>3,908</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>3,885</u>
Total Deductions	<u>3,885</u>
Change in Net Assets	23
Net Assets Beginning of Year	<u>10,190</u>
Net Assets End of Year	<u>\$ 10,213</u>

See Accompanying Notes to the Basic Financial Statements

**Patrick Henry Local School District
Henry County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Patrick Henry Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Patrick Henry Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 51 non-certified and 76 certified full-time teaching personnel who provide services to 1,031 students and other community members.

The 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 District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The 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, the Schools of the Ohio Risk Sharing Authority, and the Edwin Wood Memorial Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the District's only major governmental fund:

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

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two fiduciary funds: a private purpose trust used to account for college scholarship donations and an agency fund used to account for student activity programs.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2010, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. During fiscal year 2010, interest revenue was credited in the amount of \$9,504 to the General Fund and \$758 to Other Governmental Funds.

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

G. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition or construction of capital assets and budget stabilization.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years
Textbooks	10 years

I. Compensated Absences

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District reports \$1,375,288 of restricted net assets on its statement of net assets, none of which is restricted by enabling legislation.

L. Fund Balance Reserves and Designations

The 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, 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 budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. Interfund Activity

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the statement of activities.

N. 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.

O. Pass-Through Grants

The Handicapped Preschool special revenue fund is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting or Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

3. BUDGETARY BASIS OF ACCOUNTING

While the 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	(\$828,839)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received In Cash FY 2010	1,039,866
Accrued FY 2010, Not Yet Received in Cash	(843,232)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(955,217)
Accrued FY 2010, Not Yet Paid in Cash	1,214,414
Advances Net	
Encumbrances Outstanding at Year End (Budget Basis)	(323,511)
Budget Basis	<u>(\$696,519)</u>

4. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 five year period of designation of depositories. In

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

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

Interim monies held by the School District can 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 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;

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. At June 30, 2010, the carrying amount of the District's cash deposits was \$1,452,574 and the bank balance was \$1,955,163. At June 30, 2010, \$502,589 of the bank balance was insured by the FDIC. The remaining balance was covered by a 105 percent public depository pool, which was collateralized with securities held by pledging financial institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

As of June 30, 2010, the District had \$507,041 invested in STAR Ohio.

Interest rate risk

The School District has no investment policy beyond State statute that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School Districts, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

5. PROPERTY TAXES

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes for 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2010 were levied after April 1, 2009, on the assessed values as of December 31, 2008, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2009 taxes. Tangible personal property taxes for 2010 were levied after April 1, 2009, on the value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years, 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Henry, Putnam, and Wood Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2009, are available to finance fiscal year 2009 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, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2010 operations. For the governmental fund financial statements, 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 was recognized as revenue.

The amount available as an advance at June 30, 2010, was \$281,533 in the General Fund, \$39,973 in the Bond Retirement Debt Service Fund, \$20,964 in the Capital Projects Fund, and \$46 in the Special Revenue Fund. The amount available as an advance at June 30, 2009, was \$456,527 in the General Fund, \$15,149 in the Bond Retirement Debt Service Fund, and \$7,185 in the Capital Projects Fund and \$50 in the Special Revenue Fund.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$95,560,780	88%	\$96,014,180	89%
Industrial/Commercial	8,534,800	8%	9,000,710	8%
Public Utility	3,643,120	3%	3,156,940	3%
Tangible Personal	616,510	1%	301,210	0%
Total Assessed Value	<u>\$108,355,210</u>	<u>100%</u>	<u>\$108,473,040</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.51		\$44.51	

6. INCOME TAX

The 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, 2003 and expires December 31, 2007. 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 District after withholding the amount for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RECEIVABLES

Receivables at June 30, 2010, consisted of property, accounts (rent and student fees), intergovernmental, 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Idea B	\$114,470
AARA Stimulus	426
Title II-D	23
Title I	52,532
Title IV	2,160
Title II-A	<u>24,753</u>
Total Intergovernmental Receivables	<u>\$194,364</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
Nondepreciable Capital Assets	\$592,870	\$0	\$0	\$592,870
	<u>592,870</u>	<u>0</u>	<u>0</u>	<u>592,870</u>
Depreciable Capital Assets				
Land Improvements	684,074	2,750	0	686,824
Buildings and Building Improvements	17,080,322	141,982	0	17,222,304
Furniture, Fixtures, and Equipment	3,244,886	41,092	0	3,285,978
Vehicles	1,289,645	9,188	0	1,298,833
Books	760,442	43,332	0	803,774
Total Depreciable Capital Assets	<u>23,059,369</u>	<u>238,344</u>	<u>0</u>	<u>23,297,713</u>
Less Accumulated Depreciation				
Land Improvements	442,740	17,066	0	459,806
Buildings and Building Improvements	3,879,391	313,487	0	4,192,878
Furniture, Fixtures, and Equipment	2,418,371	108,095	0	2,526,466
Vehicles	749,541	60,625	0	810,166
Books	694,886	2,528	0	697,414
Total Accumulated Depreciation	<u>8,184,929</u>	<u>501,801</u>	<u>0</u>	<u>8,686,730</u>
Depreciable Capital Assets, Net	<u>14,874,440</u>	<u>(263,457)</u>	<u>0</u>	<u>14,610,983</u>
Governmental Activities Capital Assets, Net	<u>\$15,467,310</u>	<u>(\$263,457)</u>	<u>\$0</u>	<u>\$15,203,853</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$230,972
Special	11,457
Vocational	1,376
Support Services:	
Pupil	2,100
Instructional Staff	23,433
Administration	11,626
Fiscal	197
Operation and Maintenance of Plant	67,165
Pupil Transportation	41,461
Non-Instructional Services	8,681
Extracurricular	19,008
Capital Outlay	<u>84,325</u>
Total Depreciation Expense	<u>\$501,801</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. RISK MANAGEMENT

The 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 2010, the District contracted with the Schools of the Ohio Risk Sharing Authority for the following insurance coverages.

Building and Contents - replacement cost (\$1,000 deductible)	\$39,390,556
Inland Marine Coverage (included in Building and Contents)	200,000
Employee Dishonesty Bond - blanket (\$1,000 deductible)	100,000
Vehicle Liability (combined single limit)	11,000,000
Medical Payments per Person	5,000/25,000
Uninsured/Underinsured Motorists	1,000,000
General Liability	
Per occurrence	11,000,000
Total per year	13,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. During fiscal year 2010, the District reviewed its insurance needs and adjusted coverages as deemed appropriate.

The 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 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 year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs. See Note 17 for additional information on the program.

The 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. See Note 17 for additional information on the plan.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEFINED PENSION BENEFIT PLANS

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$139,232, \$126,593 and \$153,576, respectively; 61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2009 is \$82,815.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$575,802, \$546,652, and \$568,638 respectively; 85 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 is \$90,818.

C. Social Security System

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

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. POSTEMPLOYMENT BENEFITS – (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$63,422, \$57,768, and \$69,747 respectively; 61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$11,434, \$9,121 and \$11,066, respectively; 61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$44,292, \$42,050, and \$43,740 respectively; 85percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009, (the latest information available) the balance in the Fund was \$2.7 billion. For the year ended June 30, 2009, net health care costs paid by STRS were \$298,110,000 and STRS has 129,659 eligible benefit recipients.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. 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 230 days for classified and 244 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 57.5 days for classified employees and for one-fourth of accrued, but unused sick leave credit to a maximum of 61 days for certified employees. Also, classified employees can accumulate 40 personal days and receive payment for twenty percent of accrued, but unused personal leave to a maximum of 10 days. Personal day accumulation is not applicable to classified employees hired after June 30, 2002.

B. Other Employee Benefits

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

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2010, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 06/30/09	Increase	Decrease	Balance at 06/30/10	Amount Due In one Year
Note Payable	\$217,000	\$0	\$0	\$217,000	\$31,000
General Obligation Bond Series 2002					
Serial 2%-4.75%	370,000	0	160,000	210,000	60,000
Series 2007					
Serial	1,730,000	0	5,000	1,725,000	10,000
Term	1,690,000	0	0	1,690,000	0
Capital Appreciation	500,000	0	0	500,000	0
Accretion on Capital Appreciation Bonds	351,749	35,355	0	387,104	0
Unamortized Loss on Refunding	(11,592)	362	0	(11,230)	0
Unamortized Premium on Refunding	242,969	0	7,593	235,376	0
Energy Conservation Loans	589,334	0	45,333	544,001	45,333
Lease Purchase Agreement	167,256	0	81,817	85,439	85,439
Compensated Absences	728,917	750,740	728,917	750,740	0
Total Long-Term Obligations	\$6,575,633	\$786,457	\$1,028,660	\$6,333,430	\$231,772

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

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

On February 10, 1997, the District issued \$500,000 4.75 percent in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of the 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.

The note payable is part of a Fiber Optic Network Project. The original liability for the District was \$465,000. The District paid \$31,000 in fiscal year 2010. The remaining liability is payable in annual installments of \$31,000 with final maturity in fiscal year 2016. The note is non-interest bearing.

The OSFC Bond Issue was entered into in 2002 for the amount of \$5,101,000. The bond was issued to retire notes issued for the construction of a new school building and renovation of other buildings. The bond issue includes serial, term and capital appreciation bonds, in the amount of \$1,816,000, \$3,075,000, and \$210,000, respectively. The bonds carry interest rates ranging from 2 percent to 4.75 percent and with a final maturity in fiscal year 2030.

The current interest term bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2023	\$240,000
2024	250,000
2025	265,000
2026	275,000
2027	290,000
2028	300,000
2029	315,000

The remaining principal amount of such current interest bonds (\$330,000) will be paid at the stated maturity on December 1, 2017.

The current interest bonds maturing after December 1, 2012 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 31, 2012, at 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption. The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 through 2013. The maturity amount of the bonds is \$660,000. For fiscal year 2009, \$28,974 was accreted on the capital appreciation bonds for a total outstanding bond value of \$4,595,407 at fiscal year end.

The Energy Conservation notes were issued in 2008 for \$680,000. The interest rate on the notes is 4.4 percent. The final maturity of this issuance is June 1, 2022.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Principal requirements to retire OSFC Bonds, Energy Conservations Notes and Notes Payable at June 30, 2010 are as follows:

Fiscal Year Ending June 30th	2007 Advance Refunding Bonds*	2007 Advance Refunding Capital Appreciation*	Energy Conservation Notes	Note Payable
2011	\$10,000	\$0	\$45,333	\$31,000
2012	10,000	0	45,333	31,000
2013	25,000	0	45,333	31,000
2014	200,000	0	45,333	31,000
2015	225,000	0	45,333	31,000
2016-2020	0	1,255,000	226,668	62,000
2021-2025	0	0	90,668	0
2026-2030	0	0	0	0
	<u>470,000</u>	<u>1,255,000</u>	<u>544,001</u>	<u>217,000</u>

*Total principal due per the table on page 35 does not agree to the balance reported in the table above due to accretion.

14. CAPITAL LEASE COMMITMENTS

The District is obligated under one lease accounting for as capital leases. The cost of the leased assets (four new school buses) is accounted for in the Government Activities Capital Assets and the related liability in the Government Activities Long-Term Liabilities. The original cost of the asset under capital lease was \$323,340 at 4.11% interest.

The following is a schedule of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2009:

Fiscal Year Ending June 30,	General Long-Term Obligations
2011	\$89,225
Total Future Minimum Lease Payments	89,225
Less: Amount Representing Interest	(3,786)
Present Value of Future Minimum Lease Payments	<u>\$85,439</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2010, only the unspent portion of certain workers' compensation refunds is required to be set-aside at fiscal year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2009	(\$848,856)	0	\$23,745
Current Year Set-aside Requirement	175,499	\$175,499	0
Current Year Offsets	0	(57,866)	0
Qualifying Disbursements	(269,927)	(117,633)	0
Total	<u>(943,284)</u>	<u>0</u>	<u>\$23,745</u>
Set-Aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>	<u>\$23,745</u>
Required Set-aside Balance Carried Forward to FY 11	<u>(\$943,284)</u>	<u>\$0</u>	<u>\$23,745</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The 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 2010, the District contributed \$111,130 to NWOCA. Financial information can be obtained from Robin Pfund, 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. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Four County Career Center

The Four County Career Center (the 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, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

17. GROUP PURCHASING 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 2009, the District contributed \$644,209 to the Northern Buckeye Education Council for insurance premiums. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The 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, \$1,091 in fiscal year 2010, to the Plan to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by § 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of Superintendents, Treasurers, or Business Managers from the participating school districts. Willis Pooling administers the pool and Frank Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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 District for operational subsidies. Although the 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 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 District at June 30, 2010.

B. Litigation

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

20. RESTRICTED ASSETS

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$23,745

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

21. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2010 were as follows:

	Transfers In	Transfers Out
Major Fund:		
General Fund	\$0	\$71,264
Non-Major Funds:		
Bond Retirement Fund	71,264	0
Total	\$71,264	\$71,264

Transfers were provided by the general fund for debt payments.

Interfund Balances

The District did not have any Interfund balances at June 30, 2010:

22. Restatement of Net Assets

The School District has presented a correction to the invested in capital assets, net of related debt and restricted for debt service due to refunding bonds not being properly recorded at June 30, 2009. The restatement had the following effect on net assets of the governmental activities as previously reported:

	Total
Net assets, June 30, 2009	\$ 11,802,910
Restatement of Invested in Capital Assets, net of Related Debt	(141,377)
Restatement of Restricted for debt services	(53,161)
Restated net assets, June 30, 2009	\$ 11,608,372

Patrick Henry Local School District
Henry County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	\$ 38,870	\$ -	\$ 38,870	\$ -
National School Lunch Program	LLP4	10.555	175,398	29,784	175,398	29,784
Total Nutrition Cluster			214,268	29,784	214,268	29,784
Total United States Department of Agriculture			214,268	29,784	214,268	29,784
United States Department of Education						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I Cluster</i>						
Title I Grants to Local Education Agencies	C1S1	84.010	105,777	-	98,337	-
Title I Grants to Local Education Agencies ARRA	3DK0	84.389	17,181	-	28,276	-
Total Title I Cluster			122,958	-	126,613	-
State Fiscal Stabilization Fund - ARRA	GRF	84.394	305,368	-	219,890	-
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	1,532	-	2,646	-
Education Technology State Grants	TJS1	84.318	911	-	934	-
Improving Teacher Quality - State Grants	TRS1	84.367	32,731	-	37,336	-
English Language Acquisition Grants	N/A	84.365	182	-	182	-
Total Passed Through Ohio Department of Education			463,682	-	387,601	-
Total United States Department of Education			463,682	29,784	387,601	29,784
Total Federal Financial Assistance			\$ 677,950	\$ 29,784	\$ 601,869	\$ 29,784

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**Patrick Henry Local School District
Henry County**

**Notes to the Schedule of Federal Awards Receipts and Expenditures
for the Fiscal Year Ended June 30, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

Members of the Board of Education
Patrick Henry Local School District
6-900 State Route 18
Hamler, Ohio 43524

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider findings 2010-01 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

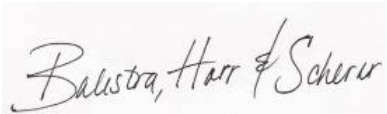
Members of the Board of Education
Patrick Henry Local School District
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards.
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreement, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

February 18, 2011



Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Patrick Henry Local School District
6-900 State Route 18
Hamler, Ohio 43524

Compliance

We have audited the compliance of Patrick Henry Local School District, Henry County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Patrick Henry Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Patrick Henry Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Members of the Board of Education
Patrick Henry Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
February 18, 2011

**Patrick Henry Local School District
Henry County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Education Agencies #84.010; Title I Grants to Local Education Agencies, ARRA #84.389 State Fiscal Stabilization Funds, ARRA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Patrick Henry Local School District
Henry County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2010**

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

Finding 2010-01

Significant Deficiency

The School District incurred a prior period adjustment to restate net assets.

The accompanying financial statements were adjusted to reflect correction of misstated prior period balances. The School District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



Dave Yost • Auditor of State

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
APRIL 12, 2011**