



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# Dave Yost • Auditor of State

Board of Education  
Patrick Henry Local School District  
6900 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, 2012 through June 30, 2013. 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

February 7, 2014

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**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report

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

To the Board of Education:

### Report on the Financial Statements

We have audited the accompanying 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), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the School adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*  
Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 13, 2013



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year Ended June 30, 2013

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, 2013. 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 2013 are as follows:

- Net Position of governmental activities increased \$1,663,814.
- General revenues accounted for \$10,504,553, or 85% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,784,228 or 15% of total revenues of \$12,288,781.
- The District's only major funds is the General Fund. The General Fund had \$10,649,776 in revenues and other financing sources and \$8,874,022 in expenditures and other financing uses. The General Fund's balance increased \$1,775,754 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 Position 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 and is the only major fund.

**Reporting the District as a Whole**

**Statement of Net Position and Statement of Activities**

The Statement of Net Position and the Statement of Activities reflect how the District did financially during fiscal year 2013. 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.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year Ended June 30, 2013

Unaudited

These statements report the District's net position and changes in those positions. This change in net position 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.

In the Statement of Net Position 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 fund. 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, this is 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, 2013

Unaudited

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to 2012.

	<u>Table 1</u> <u>Net Position</u> <u>Governmental Activities</u>	
<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 10,450,590	\$ 9,606,690
Capital Assets, Net	<u>14,214,593</u>	<u>14,483,127</u>
Total Assets	<u>24,665,183</u>	<u>24,089,817</u>
<u>Liabilities</u>		
Current and Other Liabilities	6,024,279	6,994,760
Long-Term Liabilities	<u>5,799,962</u>	<u>5,917,929</u>
Total Liabilities	<u>11,824,241</u>	<u>12,912,689</u>
<u>Net Position</u>		
Net Investment in Capital Assets	9,565,140	9,337,708
Restricted	1,467,083	1,435,108
Unrestricted	<u>1,808,719</u>	<u>404,312</u>
Total	<u>\$ 12,840,942</u>	<u>\$ 11,177,128</u>

Total assets increased \$575,366. Current assets increased by \$843,900, primarily due to an increase in income taxes receivable as well as an increase in equity in pooled cash and cash equivalents. The total increases were offset by annual depreciation expense for capital assets and a decrease in property taxes receivable.

Total liabilities decreased \$1,088,448, due primarily to a decrease in accrued wages and benefits and deferred revenue as well as long term debt payments. Accrued wages and benefits decreased due to the District sharing staff with another school, and the corresponding reduction in salaries.

Net Investment in Capital Assets increased \$227,432, due primarily to payments on long term debt, which were offset by depreciation of capital assets.

Table 2 shows the changes in net position for the fiscal year 2013 compared to 2012.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year Ended June 30, 2013

Unaudited

Table 2  
Change in Net Position  
Governmental Activities

<u>Revenue</u>	<u>2013</u>	<u>2012</u>
Program Revenue:		
Charges for Services and Sales	\$ 1,084,973	\$ 1,018,238
Operating Grants, Contributions and Interest	<u>699,255</u>	<u>1,074,244</u>
Total Program Revenues	<u>1,784,228</u>	<u>2,092,482</u>
General Revenue:		
Property Taxes	3,473,640	3,185,825
Income Taxes	1,965,635	1,811,887
Grants and Entitlements	5,011,423	4,933,317
Gifts and Donations	10	-
Investment Earnings	6,568	7,569
Miscellaneous	<u>47,277</u>	<u>4,397</u>
Total General Revenues	<u>10,504,553</u>	<u>9,942,995</u>
Total Revenues	12,288,781	12,035,477
<u>Disbursements</u>		
Instruction	6,173,748	5,802,941
Support Services:		
Pupils	512,293	551,775
Instructional Staff	551,301	748,025
Board of Education	16,602	37,395
Administration	497,498	1,212,427
Fiscal	269,143	376,293
Business	3,457	232,117
Operation and Maintenance of Plant	853,282	907,697
Pupil Transportation	359,915	699,761
Central	88,185	221,581
Operation of Non-Instructional	528,544	593,071
Extracurricular Activities	464,628	406,464
Interest and Fiscal Charges	<u>306,371</u>	<u>302,519</u>
Total Disbursements	<u>10,624,967</u>	<u>12,092,066</u>
Increase/(Decrease) in Net Position	<u>\$ 1,663,814</u>	<u>\$ (56,589)</u>

In 2013, 28% of the School District's revenues were from property taxes and 41% were from unrestricted grants and entitlements. The School District experienced a decrease in operating grants and contributions from fiscal year 2012 due to decreased federal grant funding. The increase to property taxes was due to the first collection of the emergency levy.

Instructional programs comprise approximately 58% of total governmental program expenses. Of the instructional expenses, approximately 72% is for regular instruction, 18% for special instruction, 1% for vocational instruction, and 8% for other. Instructional program expenses increased \$370,807. The total expenses decreased \$1,467,099 due primarily to a decrease in administration and business support services, which have decreased due to the District sharing administrative staff with another school, and the corresponding reduction in salaries.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year Ended June 30, 2013

Unaudited

**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. Table 3 indicates the total cost of services and the net cost of services for fiscal year 2013 compared to 2012. That is, it identifies the cost of these services supported by tax revenues and unrestricted entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 6,173,748	\$ 5,802,941	\$ 5,113,793	\$ 4,631,978
Support Services:				
Pupils	512,293	551,775	512,293	449,105
Instructional Staff	551,301	748,025	551,301	733,180
Board of Education	16,602	37,395	16,602	37,395
Administration	497,498	1,212,427	435,673	1,132,227
Fiscal	269,143	376,293	268,813	374,773
Business	3,457	232,117	3,457	232,117
Operation and Maintenance of Plant	853,282	907,697	830,063	879,897
Pupil Transportation	359,915	699,761	352,738	692,978
Central	88,185	221,581	80,985	214,381
Operation of Non-Instructional Extracurricular Activities	528,544	593,071	107,293	104,832
Interest and Fiscal Charges	464,628	406,464	261,357	214,202
	306,371	302,519	306,371	302,519
Total Expenses	<u>\$ 10,624,967</u>	<u>\$ 12,092,066</u>	<u>\$ 8,840,739</u>	<u>\$ 9,999,584</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. For all governmental activities, support from general revenues is 99%. The remaining 1% 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 \$12,348,738 and expenditures and other uses of \$10,539,269. The net positive change of \$1,809,469 in fund balance for the year indicates that the District met 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 2013, the District amended its General Fund budget as needed.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year Ended June 30, 2013

Unaudited

Final expenditures and other financing uses were budgeted at \$9,734,729 while actual expenditures and other financing sources were \$9,489,959. The \$244,770 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 2013, the District had \$14,214,593 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the Note 10 to the basic financial statements.

Debt

At June 30, 2013, the District had \$4,622,887 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 \$408,000 owed on a \$589,334 energy conservation note that will mature on December 1, 2021 and General Obligation notes outstanding of \$124,000, which matures during fiscal year 2016.

At June 30, 2013, the District's overall legal debt margin was \$8,321,434, with an un-voted debt margin of \$135,960. For further information regarding the District's debt, see Note 15.

**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.

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.

The District passed a three year 5.5 mill emergency Levy in March of 2012 for first collection in calendar year 2013 generating an additional \$746,675 for operating expenses.

**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 Lisa Shanks, Treasurer, Patrick Henry Local School District, 6900 State Route 18, Hamler, Ohio 43524.

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**STATEMENT OF NET POSITION**  
*June 30, 2013*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Equity in pooled cash and cash equivalents	\$ 4,204,117
Materials and supplies inventory	5,839
Accrued interest receivable	558
Accounts receivable	21,354
Intergovernmental receivable	22,803
Taxes receivable	5,270,517
Income taxes receivable	852,617
Unamortized financing costs	72,785
Capital Assets:	
Non-depreciable capital assets	592,870
Depreciable capital assets, net	<u>13,621,723</u>
Total assets	<u>24,665,183</u>
<b>LIABILITIES</b>	
Accrued wages and benefits	1,006,274
Intergovernmental payable	234,779
Accrued interest payable	22,779
Matured compensated absences payable	44,221
Deferred revenue	4,716,226
Long-Term Liabilities	
Due within one year	151,332
Due in more than one year	<u>5,648,630</u>
Total liabilities	<u>11,824,241</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,565,140
Restricted for debt service	414,461
Restricted for capital outlay	283,770
Restricted for other purposes	768,852
Unrestricted	<u>1,808,719</u>
Total net position	<u>\$ 12,840,942</u>

*See the accompanying notes to the basic financial statements.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended June 30, 2013*

		Program Revenue		Net (Expenses) Revenue Changes in Net position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Total
<b>Governmental Activities:</b>				
Instruction				
Regular	\$ 4,470,905	\$ 586,065	\$ 64,909	\$ (3,819,931)
Special	1,097,008	41,839	360,759	(694,410)
Vocational	85,045	-	4,283	(80,762)
Student intervention services	12	-	-	(12)
Other	520,778	-	2,100	(518,678)
Support services				
Pupils	512,293	-	-	(512,293)
Instructional staff	551,301	-	-	(551,301)
Board of education	16,602	-	-	(16,602)
Administration	497,498	55,106	6,719	(435,673)
Fiscal	269,143	330	-	(268,813)
Business	3,457	-	-	(3,457)
Operation and maintenance of plant	853,282	-	23,219	(830,063)
Pupil transportation	359,915	-	7,177	(352,738)
Central	88,185	-	7,200	(80,985)
Operation of non-instructional services	528,544	199,862	221,389	(107,293)
Extracurricular activities	464,628	201,771	1,500	(261,357)
Debt service				
Interest and fiscal charges	306,371	-	-	(306,371)
Total governmental activities	\$ 10,624,967	\$ 1,084,973	\$ 699,255	\$ (8,840,739)
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				2,990,369
Property taxes, levied for capital outlay				126,173
Property taxes, levied for debt service				316,504
Property taxes, levied for other				40,594
Income taxes				1,965,635
Grants and entitlements not restricted to programs				5,011,423
Gifts and donations not restricted to specific programs				10
Investment earnings				6,568
Miscellaneous				47,277
Total general revenues				10,504,553
Change in net position				1,663,814
Net position at beginning of year				11,177,128
Net position at end of year				\$ 12,840,942

*See the accompanying notes to the basic financial statements.*



**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
*June 30, 2013*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Current assets:			
Equity in pooled in cash and cash equivalents	\$ 2,715,399	\$ 1,488,718	\$ 4,204,117
Materials and supplies inventory	-	5,839	5,839
Accrued interest receivable	558	-	558
Accounts receivable	20,472	882	21,354
Interfund receivable	1,966	-	1,966
Intergovernmental receivable	-	22,803	22,803
Taxes receivable	4,759,498	511,019	5,270,517
Income taxes receivable	852,617	-	852,617
Total assets	\$ 8,350,510	\$ 2,029,261	\$ 10,379,771
<b>Liabilities</b>			
Current liabilities:			
Accrued wages and benefits	\$ 940,201	\$ 66,073	\$ 1,006,274
Interfund payable	-	1,966	1,966
Intergovernmental payable	216,107	18,672	234,779
Matured compensated absences payable	44,221	-	44,221
Deferred revenue	4,519,397	460,072	4,979,469
Total liabilities	5,719,926	546,783	6,266,709
<b>Fund Balances</b>			
Nonspendable	-	5,839	5,839
Restricted	-	1,504,832	1,504,832
Committed	5,318	-	5,318
Assigned	74,330	-	74,330
Unassigned	2,550,936	(28,193)	2,522,743
Total fund balances	2,630,584	1,482,478	4,113,062
Total liabilities and fund balances	\$ 8,350,510	\$ 2,029,261	\$ 10,379,771

*See the accompanying notes to the basic financial statements.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
June 30, 2013**

Total governmental fund balances		\$ 4,113,062
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		14,214,593
Taxes receivable that do not provide financial resources are not reported as revenues in governmental fund.		263,243
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued interest payable	(22,779)	
General obligation bonds payable	(4,622,887)	
Unamortized financing cost	72,785	
Notes payable	(124,000)	
Loan Payable	(408,000)	
Compensated absences payable	(645,075)	
		(5,749,956)
Net position of governmental activities		<u>\$ 12,840,942</u>

*See the accompanying notes to the basic financial statements.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

*June 30, 2013*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property and other local taxes	\$ 2,979,806	\$ 489,296	\$ 3,469,102
Income tax	1,961,056	-	1,961,056
Intergovernmental	4,958,786	751,831	5,710,617
Interest	6,568	-	6,568
Tuition and fees	627,904	-	627,904
Rent	330	-	330
Extracurricular activities	63,440	120,670	184,110
Gifts and donations	10	1,500	1,510
Customer sales and services	-	186,503	186,503
Miscellaneous	6,839	82,925	89,764
Total revenues	<u>10,604,739</u>	<u>1,632,725</u>	<u>12,237,464</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,187,159	47,193	4,234,352
Special	733,865	350,035	1,083,900
Vocational	83,669	-	83,669
Student intervention services	-	12	12
Other	518,678	2,100	520,778
Support services:			
Pupils	503,716	(1,664)	502,052
Instructional staff	552,840	881	553,721
Board of education	16,602	-	16,602
Administration	458,514	25,495	484,009
Fiscal	253,429	15,210	268,639
Business	27,926	-	27,926
Operation and maintenance of plant	733,022	88,439	821,461
Pupil transportation	380,537	76,662	457,199
Central	80,985	7,200	88,185
Operation of non-instructional services	3,804	449,769	453,573
Extracurricular activities	242,996	211,909	454,905
Capital outlay	-	69	69
Debt service:			
Principal	31,000	120,334	151,334
Interest	-	271,348	271,348
Total expenditures	<u>8,808,742</u>	<u>1,664,992</u>	<u>10,473,734</u>
Excess of revenues over (under) expenditures	<u>1,795,997</u>	<u>(32,267)</u>	<u>1,763,730</u>
<b>OTHER FINANCING SOURCES AND USES</b>			
Transfers in	255	65,280	65,535
Proceeds from Sale of Capital Assets	2,100	-	2,100
Refund of Prior Year Expenditures	42,682	957	43,639
Transfers out	(65,280)	(255)	(65,535)
Total other financing sources and uses	<u>(20,243)</u>	<u>65,982</u>	<u>45,739</u>
Net change in fund balances	1,775,754	33,715	1,809,469
Fund balance at beginning of year	854,830	1,448,763	2,303,593
Fund balance at end of year	<u>\$ 2,630,584</u>	<u>\$ 1,482,478</u>	<u>\$ 4,113,062</u>

*See the accompanying notes to the basic financial statements.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2013*

Net change in fund balances - total governmental funds \$ 1,809,469

Amounts reported for governmental activities on the statement of net position 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	247,978	
Depreciation	<u>(503,444)</u>	(255,466)

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 position 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		(13,068)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(1,439)	
Income taxes	4,579	
Delinquent property taxes	<u>4,538</u>	7,678

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

151,334

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	(35,023)	
Compensated absences payable	<u>(1,110)</u>	(36,133)

Change in net position of governmental activities		<u>\$ 1,663,814</u>
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*See the 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, 2013*

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Property and other local taxes	\$ 2,941,771	\$ 2,899,143	\$ 2,896,527	\$ (2,616)
Income tax	1,840,400	1,822,400	1,822,400	-
Intergovernmental	443,221	4,955,743	4,958,786	3,043
Interest	6,500	6,500	6,405	(95)
Tuition and fees	508,096	627,355	627,984	629
Rent	-	-	330	330
Extracurricular Activities	82,800	63,840	63,440	(400)
Gifts and Donations	-	-	10	10
Miscellaneous	7,500	4,269	5,350	1,081
Total revenues	5,830,288	10,379,250	10,381,232	1,982
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,134,580	4,207,459	4,139,499	67,960
Special	647,690	731,517	729,505	2,012
Vocational	71,000	83,669	83,669	-
Other	525,720	518,678	518,678	-
Support services:				
Pupils	560,090	532,282	489,911	42,371
Instructional staff	630,512	554,058	503,999	50,059
Board of education	21,265	21,448	21,107	341
Administration	715,214	788,595	783,938	4,657
Fiscal	282,142	286,163	290,357	(4,194)
Business	81,327	133,969	133,725	244
Operation and maintenance of plant	814,162	823,813	755,161	68,652
Pupil transportation	595,963	561,010	540,487	20,523
Central	171,931	182,531	184,003	(1,472)
Operation of non-instructional services	-	-	3,804	(3,804)
Extracurricular activities	239,487	239,487	246,836	(7,349)
Total expenditures	9,491,083	9,664,679	9,424,679	240,000
Excess of revenues over (under) expenditures	(3,660,795)	714,571	956,553	241,982
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers in	-	770	1,744	974
Proceeds from sale of capital assets	-	1,500	2,100	600
Refund of prior year expenditures	-	23,556	23,556	-
Transfers out	-	(66,050)	(65,280)	770
Advances out	-	(4,000)	-	4,000
Total Other Financing Sources and Uses	-	(44,224)	(37,880)	6,344
Net change in fund balances	(3,660,795)	670,347	918,673	248,326
Fund balance at beginning of year	1,744,420	1,744,420	1,744,420	-
Prior year encumbrances appropriated	28,746	28,578	28,578	-
Fund balance (deficit) at end of year	\$ (1,887,629)	\$ 2,443,345	\$ 2,691,671	\$ 248,326

*See the accompanying notes to the basic financial statements.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013**

	Private Purpose Trust	Agency Fund
<b>Assets</b>		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 9,785	\$ 47,838
Accrued interest receivable	10	-
Total assets	9,795	47,838
 <b>Liabilities</b>		
Current liabilities:		
Accrued wages and benefits	-	1
Undistributed monies	-	47,837
Total liabilities	-	47,838
 <b>Net Position</b>		
Held in trust for scholarships		
Total net position	\$ 9,795	\$ -

*See the accompanying notes to the basic financial statements.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND**  
*For the Fiscal Year Ended June 30, 2013*

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 5,120
Interest	<u>5</u>
Total additions	<u>5,125</u>
 <b>DEDUCTIONS</b>	
Payments in accordance with trust agreements	<u>5,525</u>
Total deductions	<u>5,525</u>
 Change in net position	 (400)
Net position at beginning of year	<u>10,195</u>
Net position at end of year	<u>\$ 9,795</u>

*See the accompanying notes to the basic financial statements.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 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 72 certified full-time teaching personnel who provide services to 963 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 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 Health Plan/OHI, the Northern Buckeye Health Plan's Employee Insurance Benefit Program, the Northern Buckeye Health Plan's 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 17, 18, and 19 to the basic financial statements.

**NOTE 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. 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 the Statement of Net Position and the Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.



**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-Wide Financial Statements

The Statement of Net Position 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.

The Statement of Net Position 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 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 and report all financial resources, not 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**  
June 30, 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total Net Position.

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.

The private purposes trust funds are reported using the economic resources measurement focus.

**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  
June 30, 2013**

**NOTE 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 non-exchange 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, 2013, but which were levied to finance fiscal year 2014 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  
June 30, 2013**

**NOTE 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 2013, 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, 2013.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. During fiscal year 2013, interest revenue was credited in the amount of \$6,568 to the General Fund.

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. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of purchased food held for resale and expendable supplies held for consumption.

**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 Position but are not reported on the fund financial statements.

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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.

**J. Accrued Liabilities and long-Term Obligations**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 and termination benefits 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. Bond Premiums/Issuance Costs, Interest on Capital Appreciation Bonds/Loss on Refunding**

For governmental activities, bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest on capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

The accounting loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported.

**L. Net Position**

Net Position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

The District had \$1,467,083 in restricted net position at June 30, 2013.

**M. Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

**N. 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 Position.

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.

**O. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**P. 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 of 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.

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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” and Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 4 – 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 restriction, commitment or assignment of fund balance (GAAP basis).



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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

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

<b>Net Change in Fund Balance</b>	
<b>Major Governmental Fund</b>	
GAAP Basis	\$ 1,775,754
<u>Increase (decrease) due to:</u>	
Revenue Accruals:	
Accrued FY 2012, Received in cash FY 2013	871,258
Accrued FY 2013, not yet received in cash	(1,112,402)
Expenditure Accruals:	
Accrued FY 2012, paid in cash FY 2013	(1,791,566)
Accrued FY 2013, not yet paid in cash	1,199,183
Encumbrances outstanding at year end (budget basis)	(23,554)
Budget Basis	<u>\$ 918,673</u>

**NOTE 5 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental Funds	Total
Nonspendable Inventory	\$ -	\$ 5,839	\$ 5,839
Total nonspendable	-	5,839	5,839
Restricted for:			
Debt payment	-	479,955	479,955
Food service operations	-	114,133	114,133
Classroom facilities maintenance	-	471,301	471,301
District managed activities	-	140,714	140,714
Capital projects	-	277,728	277,728
Federal grants	-	21,001	21,001
Total restricted:	-	1,504,832	1,504,832
Committed to:			
Severance pay	5,318	-	5,318
Total committed	5,318	-	5,318
Assigned to:			
Public school support	50,954	-	50,954
Other purposes	23,376	-	23,376
Total assigned	74,330	-	74,330
Unassigned	2,550,936	(28,193)	2,522,743
Total fund balances	\$ 2,630,584	\$ 1,482,478	\$ 4,113,062

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**NOTE 6– 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. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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 obligations or security issued by the United States Treasury, or any other obligations 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;
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 States Treasurer's investment pool (STAR Ohio); 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.

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**NOTE 6– DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. 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, 2013, the carrying amount of the District's cash deposits was \$3,753,553 and the bank balance was \$3,890,202. At June 30, 2013, \$750,000 of the bank balance was insured by the FDIC. The remaining balance was covered by a 105% 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, 2013, the District had \$508,187 invested in STAR Ohio.

**B. 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.

**C. Credit Risk**

STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio 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.

**D. Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Districts securities are insured and registered in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**E. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. The District invested 100% in STAR Ohio in fiscal year 2013.

**NOTE 7 – 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.

Property taxes include amounts levied against all real and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35% 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.

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**NOTE 7 – PROPERTY TAXES (CONTINUED)**

Public utility real and tangible personal property taxes for calendar year 2013 were levied after April 1, 2012, on the assessed values as of December 31, 2011, the lien date. Public utility real property is assessed at 35% 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.

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 counties by June 30, 2013, are available to finance fiscal year 2013 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, 2013 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 2013 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, 2013, was \$370,908 in the General Fund, \$35,323 in the Bond Retirement Debt Service Fund, \$19,755 in the Capital Projects Fund, and \$57 in the Special Revenue Fund. The amount available as an advance at June 30, 2012, was \$287,629 in the General Fund, \$45,885 in the Bond Retirement Debt Service Fund, and \$19,454 in the Capital Projects Fund and \$61 in the Special Revenue Fund.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<b>2012 Second Half Contributions</b>		<b>2013 First Half Contributions</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential	\$ 124,826,980	92%	\$ 124,954,460	92%
Industrial/commercial	7,989,580	6%	7,758,770	6%
Public Utility	329,030	0%	306,570	0%
Tangible personal	2,963,480	2%	2,940,580	2%
Total assessed value	<u>\$ 136,109,070</u>	<u>\$ 100%</u>	<u>\$ 135,960,380</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 41.31</u>		<u>\$ 45.88</u>	

**NOTE 8 – INCOME TAXES**

The District levies a voted tax of one 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. 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.

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**NOTE 9 – RECEIVABLES**

Receivables at June 30, 2013, consisted of property tax, income taxes, tuition and fees, intergovernmental grants, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Title I	\$ 17,072
Title II-A	<u>5,731</u>
Total intergovernmental receivables	<u>\$ 22,803</u>

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance at</u> <u>6/30/12</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance At</u> <u>06/30/13</u>
Nondepreciable capital assets	\$ 592,870	\$ -	\$ -	\$ 592,870
Depreciable capital assets				
Land improvements	709,454	-	-	709,454
Buildings and building improvements	17,307,410	29,498	-	17,336,908
Furniture, fixtures, and equipment	3,398,393	64,361	-	3,462,754
Vehicles	1,337,333	154,119	(130,682)	1,360,770
Books	<u>816,721</u>	<u>-</u>	<u>-</u>	<u>816,721</u>
Total depreciable capital assets	<u>23,569,311</u>	<u>247,978</u>	<u>(130,682)</u>	<u>23,686,607</u>
Accumulated depreciation				
Land improvements	493,719	16,920	-	510,639
Buildings and building improvements	4,834,841	322,820	-	5,157,661
Furniture, fixtures, and equipment	2,708,573	90,566	-	2,799,139
Vehicles	932,695	67,232	(117,614)	882,313
Books	<u>709,226</u>	<u>5,906</u>	<u>-</u>	<u>715,132</u>
Total accumulated depreciation	<u>9,679,054</u>	<u>503,444</u>	<u>(117,614)</u>	<u>10,064,884</u>
Depreciable capital assets, net	<u>13,890,257</u>	<u>(255,466)</u>	<u>(13,068)</u>	<u>13,621,723</u>
Governmental activities capital Assets, net	<u>\$ 14,483,127</u>	<u>\$ (255,466)</u>	<u>\$ (13,068)</u>	<u>\$ 14,214,593</u>

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**NOTE 10 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	295,736
Special		11,457
Vocational		1,376
Support Services:		
Pupil		2,100
Instructional staff		24,558
Administration		12,072
Fiscal		513
Operation and maintenance of plant		74,262
Pupil transportation		54,409
Non-instructional services		7,514
Extracurricular		19,447
Total depreciation expense	\$	<u>503,444</u>

**NOTE 11 – RISK MANAGEMENT**

**A. Comprehensive**

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 2013, the District contracted with the Schools of the Ohio Risk Sharing Authority for the following insurance coverage.

Building and contents – replacement cost	\$	40,061,952
Equipment breakdown		50,000,000
Employee dishonesty bond – blanket		100,000
Vehicle liability (per occurrence)		12,000,000
Medical payments (per occurrence/aggregate)		5,000/25,000
Uninsured/underinsured motorists (person/occurrence)	100,000/1,000,000	
General liability		
Per occurrence		12,000,000
Total per year		14,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. During fiscal year 2013, the District reviewed its insurance needs and adjusted coverage as deemed appropriate.

**B. Employee Insurance Benefits Program**

The District participates in the Optimal Health Initiative Consortium (OHI), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The District pays monthly premiums to the OHI for the benefits offered to its employees including health, dental, and life insurance. OHI 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 18 for additional information on the program.

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**NOTE 11 – RISK MANAGEMENT (CONTINUED)**

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Health Plan, Northern Division of OHI (NBHP) 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. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. See Note 18 for additional information on the plan.

**NOTE 12 – DEFINED PENSION BENEFIT PLANS**

**A. School Employee Retirement System**

Plan Description – The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained SERS' website at [www.ohsers.org](http://www.ohsers.org), under employers/audit resources.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$244,581, \$196,704, and \$200,933, respectively; which equaled the required contributions for each fiscal year.

**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](http://www.strsoh.org).

Plan Options – 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% 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.

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**NOTE 12 – 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, 2013, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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, 2013, 2012, and 2011 were \$554,732, \$531,785, and \$543,836 respectively; which equaled the required contributions for each year.

**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, 2013, five members of the Board of Education have elected Social Security. The contribution rate is 6.2% of wages.

**NOTE 13 – POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set up forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants but could be as high as \$335.70 per month depending on their monthly income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohiosers.org](http://www.ohiosers.org), under *Employers/Audit Resources*.



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**NOTE 13 – 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% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16% of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$23,485, \$42,530 and \$44,907, respectively; 100% has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was .74% of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$12,928, \$12,491 and \$12,931, respectively; 100% has been contributed for fiscal years 2013, 2012, and 2011.

**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](http://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 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$39,624, \$40,907 and \$47,290 respectively; 100% has been contributed for fiscal years 2013, 2012 and 2011.

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**NOTE 14 – 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 20% 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 Optimal Health Initiative Consortium.

**NOTE 15 – LONG-TERM OBLIGATIONS**

During the year ended June 30, 2013, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<b>Balance at 06/30/12</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at 06/30/13</b>	<b>Amount Due in one Year</b>
Note payable	\$ 155,000	\$ -	\$ 31,000	\$ 124,000	\$ 31,000
General obligation bond Series 2002					
Serial 2.0%-4.75%	95,000	-	50,000	45,000	45,000
Series 2007-refunding bonds					
Serial 4%	1,740,000	-	-	1,740,000	-
Term 3.65%-4.125%	1,655,000	-	25,000	1,630,000	30,000
Capital appreciation 4%-4.19%	500,000	-	-	500,000	-
Accretion on Capital Appreciation bonds	465,946	39,488	-	505,434	-
Unamortized loss on refunding	(10,506)	362	-	(10,144)	-
Unamortized premium on refunding	220,190	-	7,593	212,597	-
Energy conservation loans	453,334	-	45,334	408,000	45,332
Compensated absences	643,965	645,075	643,965	645,075	-
<b>Total long-term obligations</b>	<b>\$ 5,917,929</b>	<b>\$ 684,925</b>	<b>\$ 802,892</b>	<b>\$ 5,799,962</b>	<b>\$ 151,332</b>

Compensated absences will be paid from the fund from which the employees' salaries are paid with the General Fund being the primary fund used.

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 2013. The remaining liability is payable in annual installments of \$31,000 with final maturity in fiscal year 2016. The note is non-interest bearing.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 15 – LONG-TERM OBLIGATIONS (CONTINUED)**

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% to 4.75% and with a final maturity in fiscal year 2030. In 2007 \$4,010,000 in bonds were repurchased.

The current interest term bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100% 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.

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% 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 2017 through 2021. The maturity amount of the bonds is \$1,255,000. For fiscal year 2013, \$39,488 was accreted on the capital appreciation bonds for a total outstanding capital appreciated bond value of \$1,005,434 at fiscal year end.

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

Principal requirements to retire general obligation debt outstanding at June 30, 2013 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>General Obligation Bonds</b>			
	<b>Serial Principal</b>	<b>Term Principal</b>	<b>Capital Appreciation Principal</b>	<b>Total Interest</b>
2014	\$ 45,000	\$ 30,000	\$ -	\$ 255,945
2015	200,000	-	-	134,850
2016	225,000	-	-	126,850
2017	-	-	110,000	242,850
2018	-	-	105,000	257,850
2019-2023	500,000	-	285,000	1,069,250
2024-2028	815,000	600,000	-	380,650
2029-2031	-	1,000,000	-	83,738
	<b>\$ 1,785,000</b>	<b>\$ 1,630,000</b>	<b>\$ 500,000</b>	<b>\$ 2,551,983</b>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

<b>Fiscal Year Ending June 30,</b>	<b>Energy Conservation HB264 Loans</b>			<b>Note Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 45,333	\$ 17,952	\$ 63,284	\$ 31,000	\$ -
2015	45,333	15,957	61,290	31,000	-
2016	45,333	14,001	59,334	31,000	-
2017	45,333	11,968	57,301	31,000	-
2018	45,333	9,973	55,306	-	-
2019-2022	181,335	19,964	201,300	-	-
	<b>\$ 408,000</b>	<b>\$ 89,815</b>	<b>\$ 497,815</b>	<b>\$ 124,000</b>	<b>\$ -</b>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 16 – 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 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.

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

	<u><b>Capital Acquisition</b></u>
Set-aside cash balance as of June 30, 2012	\$ -
Current year set-aside requirement	167,680
Current year offsets	(214,100)
Qualifying disbursements	<u>(20,271)</u>
Total	<u>(66,691)</u>
Required set-aside balance carried forward to FY 13	<u><u>\$ -</u></u>

The excess qualifying disbursements of the capital improvement set aside may not be used to reduce the capital improvement set-aside requirement for future years.

**NOTE 17 – 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 modem 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 2013, the District contributed \$68,787 to NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, 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 209 Nolan Parkway, Archbold, Ohio 43502.

**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.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

**D. Northern Buckeye Health Plan**

The Northern Buckeye Health Plan (NBHP) was established January 1, 2012 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. NBHP is a member of Ohio Health Initiatives (OHI) and provides insurance services to its members. NBHP 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 Assemble consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, OH 45242.

**NOTE 18 – GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

Optimal Health Initiative Consortium (OHI) Insurance Benefits Program included health, dental, drug, and life insurance plans. The health, drug, vision, and dental plans are risk-sharing pools among approximately 28 members, and the life insurance plan is a group purchasing pool among 26 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by OHI, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of two representatives from each of the four counties in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2013, the District contributed a total of \$924,568 to Northern Buckeye Health Plan. Northwest Division of OHI for all employee insurance plans. Financial information can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

**B. 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 Health Plan, Northern Division of OHI (NBHP) Workers' Compensation Group Rating Plan (WCGRP) is an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the Program. Each year, the participating members pay an enrollment fee, \$350 in fiscal year 2013, to the WCGRP 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.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 18 – GROUP PURCHASING POOLS (CONTINUED)**

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.

**NOTE 19 – 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.

**NOTE 20 – 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, 2013.

**B. Litigation**

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

**NOTE 21 – INTERFUND ACTIVITY**

Interfund Transfers

Transfers made during the year ended June 30, 2013 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General fund	\$ 255	\$ 65,280
Non-Major Fund		
Adult Education	-	251
Dual Enrollment	-	4
Bond retirement fund	65,280	-
Total	<u>\$ 65,535</u>	<u>\$ 65,535</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 21 – INTERFUND ACTIVITY (CONTINUED)**

Transfers were provided by the General Fund for debt payments. Transfers to the General Fund were to transfer the unexpended balance upon the termination of activities or services.

Interfund Balances

On the fund financial statements, the general fund had a receivable of \$1,966. The general fund receivable consists of \$1,966 payable from the non-major governmental funds. The interfund loan was made to provide operating capital.

**NOTE 22 – ACCOUNTABILITY**

At June 30, 2013, Entry Year Program, Vocational Education, the Education Jobs, IDEA Part B, Title I, and Improving Teacher Quality special revenue funds had deficit fund balances of \$12, \$17, \$1,970, \$2, \$23,724, and \$2,468. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 13, 2013 wherein we noted that the School implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

### Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 13, 2013



## Balestra, Harr & Scherer, CPAs, Inc.

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### Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Patrick Henry Local School District (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 11, 2012 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by an “electronic act.”

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School’s sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 13, 2013



# 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  
FEBRUARY 20, 2014**